

CITY OF RIO DELLE, CALIFORNIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2017



Prepared by:

Brooke Woodcox
Finance Director

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City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

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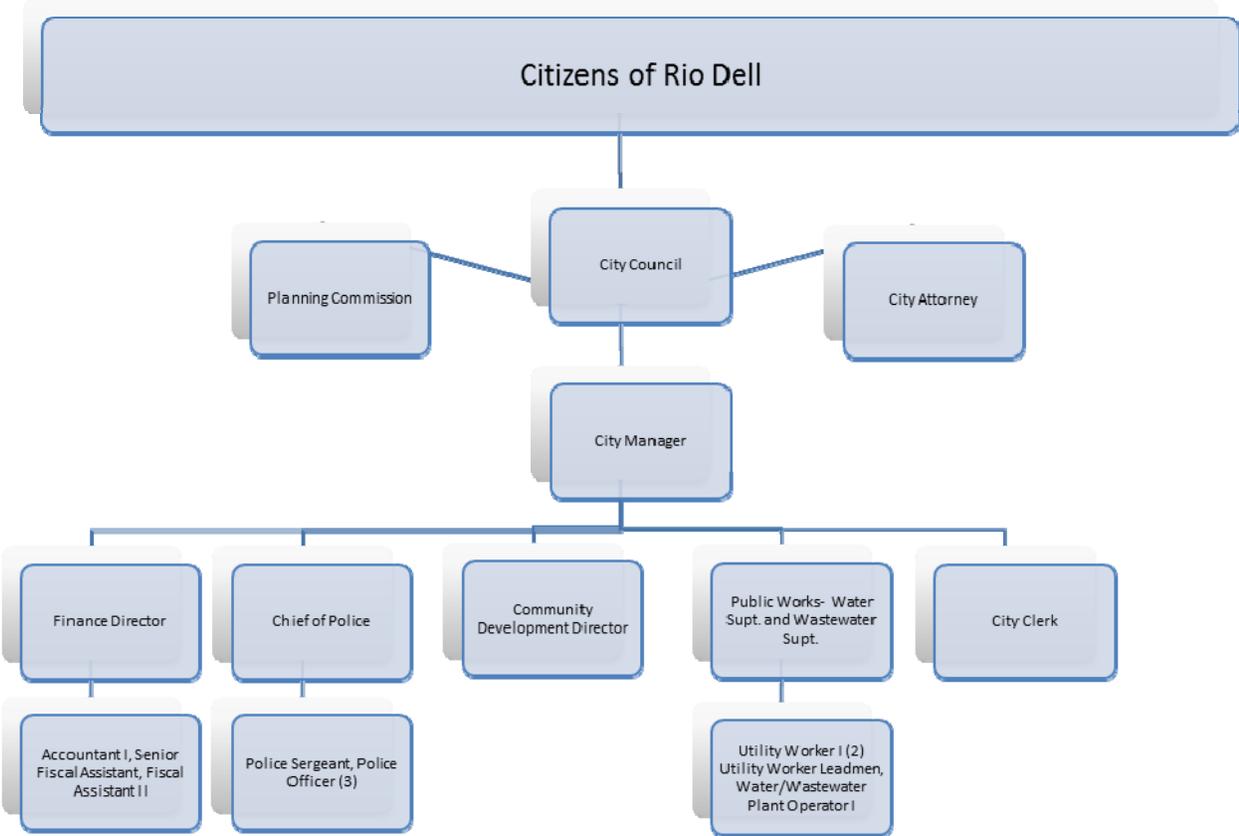
City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

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City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

Organization Chart



City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

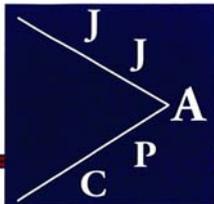
List of Officials

CITY COUNCIL

- Frank Wilson, Mayor
- Gordon Johnson, Mayor Pro Tem
- Debra Garnes, Council Member
- Sue Strahan, Council Member
- Tim Marks, Council Member

CITY OFFICIALS

- Kyle Knopp, City Manager
- Keren Dunham, City Clerk
- Brook Woodcox, Finance Director
- Kevin Caldwell , Community Development Director
- Graham Hill, Chief of Police



JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City of Rio Dell, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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, the aggregate remaining fund information, and the budgetary comparison information of the City, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 3–16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2017 on our consideration of the City's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

November 6, 2017

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis

This section provides a narrative overview and analysis of the financial activities of the City of Rio Dell (City) for the fiscal year ended June 30, 2017. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

This section of the annual financial report provides a narrative overview and analysis of the financial activities of the City of Rio Dell (City) for the fiscal year ended June 30, 2017. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

The following outlines the financial highlights for the year:

- ◆ At June 30, 2017, the City's net position (excess of assets and deferred outflows of resources of the City over liabilities and deferred inflows of resources) was \$25,981,162, an increase of \$829,742 from the prior year. Of the total net position, \$20,137,780 was invested in capital assets (net of related debt) and \$443,869 had restrictions in their use leaving \$5,399,513 as unrestricted.
- ◆ Overall City-wide revenues from all governmental and business-type activities increased by \$86,618 compared to the 2016 fiscal year. Most of the increase resulted from increased revenues for grant funding for the Metropolitan Wells Project and sales tax collections. The City's total expense for all programs in fiscal 2017 decreased by \$235,205 in comparison to the prior year. This resulted primarily from business-type activities, and in the Governmental Activities of General Government, and Planning and Public Works.
- ◆ The City's governmental funds increased by approximately \$345,412. This primarily results from revenues that were higher than anticipated. In particular the General Fund portion of the increase is 57%.
- ◆ The general fund reported a fund balance of \$1,448,585 at the end of the 2017 fiscal year, an increase of \$175,340. This increase resulted from higher than anticipated Retail Sales Tax and Measure U revenue. Also, the streets repaving project, which was funded in fiscal year 2017, wasn't fully completed resulting in unanticipated savings in the general fund balance.
- ◆ The City also ended the fiscal year with \$2,690,079 reported in the proprietary enterprise funds (the amount of net position available for use, including unrestricted net position, but excluding the investment in capital assets net of related debt). This is an increase of \$26,644 from 2016 and is a result of revenues and expenditures that showed little change from the previous year.

City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

The Basic Financial Statements

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

Government-wide Financial Statements

The Government-wide Financial Statements provide a broad overview of the City's activities as a whole and are comprised of the Statement of Net position and the Statement of Activities. The Statement of Net position 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 private sector entities. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities explains in detail the change in Net position for the year.

All of the City's activities are grouped into Governmental Activities and Business-type activities, as explained below. All the amounts in the Statement of Net position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

Government-wide financial statements, prepared on the accrual basis, measure the flow of all economic resources of the City. There are two basic statements presented here: the Statement of Net Position and Statement of Activities. These statements present information about the following activities.

- ◆ ***Governmental activities*** – All of the City's basic services are considered to be governmental activities, including general government, community development, parks and recreation, public safety, animal control, engineering, community events, public improvements, planning and zoning, building inspections, and general administration. These services are supported by general City revenues such as taxes and by specific program revenues such as developer fees.
- ◆ ***Business-type activities*** – All the City's enterprise activities are reported here, including Water and Sewer. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the Governmental Fund Financial Statements is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental 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 are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

For the fiscal year ended June 30, 2017, the City's major funds are as follows:

GOVERNMENTAL FUNDS:

- ◆ General Fund
- ◆ CDBG Special Revenue Fund

City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

PROPRIETARY FUNDS:

- ◆ Water Enterprise Fund
- ◆ Sewer Enterprise Fund

For the fiscal year ended June 30, 2017, the City adopted annual appropriated budgets for all governmental funds.

Proprietary funds. The City maintains Enterprise-type funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses enterprise funds to account for Water and Sewer activities. The proprietary fund financial statements provide separate information for all of these operations.

Fiduciary Statements

The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations. The fiduciary statements provide financial information about the activities of special deposits for which the City acts solely as an agent. They provide information about the cash balances and activities of these funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the basic financial statements can be found on pages 41-70 of this report.

Combining and Individual Fund Financial Statements and Schedules

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 74-86 of this report.

City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$25,981,162 as of June 30, 2017. The Summary of Net position as of June 30, 2017, and 2016, follows:

| | Summary of Net Position | | | | | |
|-------------------------------|---------------------------------|---------------------------------|----------------------|---------------------------------|---------------------------------|----------------------|
| | 2017 | | | 2016 | | |
| | Govern- mental Activities | Business- type Activities | Total | Govern- mental Activities | Business- type Activities | Total |
| Current and other assets | \$ 3,255,033 | \$ 3,482,310 | \$ 6,737,343 | \$ 3,085,976 | \$ 2,906,355 | \$ 5,992,331 |
| Noncurrent assets | 4,374,904 | 23,336,677 | 27,711,581 | 4,328,913 | 23,382,305 | 27,711,218 |
| Total assets | <u>7,629,937</u> | <u>26,818,987</u> | <u>34,448,924</u> | <u>7,414,889</u> | <u>26,288,660</u> | <u>33,703,549</u> |
| Current and other liabilities | 74,633 | 799,279 | 873,912 | 130,364 | 242,920 | 373,284 |
| Long-term liabilities | 27,097 | 7,566,753 | 7,593,850 | - | 8,178,845 | 8,178,845 |
| Total liabilities | <u>101,730</u> | <u>8,366,032</u> | <u>8,467,762</u> | <u>130,364</u> | <u>8,421,765</u> | <u>8,552,129</u> |
| Net position: | | | | | | |
| Net invested in | | | | | | |
| Capital Assets | 4,374,904 | 15,762,876 | 20,137,780 | 4,328,913 | 15,203,460 | 19,532,373 |
| Restricted | 443,869 | - | 443,869 | 1,195,832 | - | 1,195,832 |
| Unrestricted | <u>2,709,434</u> | <u>2,690,079</u> | <u>5,399,513</u> | <u>1,759,780</u> | <u>2,663,435</u> | <u>4,423,215</u> |
| Total net position | <u>\$ 7,528,207</u> | <u>\$ 18,452,955</u> | <u>\$ 25,981,162</u> | <u>\$ 7,284,525</u> | <u>\$ 17,866,895</u> | <u>\$ 25,151,420</u> |

The City's total net position increased by \$829,742 (\$243,682 and \$586,060 for governmental activities and business-type activities, respectively). Total city-wide assets increased \$745,375. This primarily results from an increase in cash and the addition of the Metropolitan Wells Project construction in progress at June 30, 2017. Total city-wide liabilities, not including deferred outflows and inflows of resources, decreased slightly by \$84,367 primarily from decreased debt service liabilities for the wastewater treatment plant and the water system infiltration gallery.

A portion of the City's net position (6.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$2,709,434 is held by governmental activities and \$2,690,079 is held by business-type activities.

City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues

The City's total revenues for governmental and business-type activities were \$4,244,664 for the fiscal year ended June 30, 2017, an increase of \$127,651. Significant revenues for the City for fiscal year 2016/17 were derived from taxes (27%), operating grants and contributions (22%), and charges for services (44%).

The following discusses variances in key revenues from the prior fiscal year:

1. **Charges for Services.** Annual receipts for business-type activities decreased \$273,851, or -13%. This is reflective of a full year's rate increase in water utility charges.
2. **Grants and Contributions – Operating.** Annual receipts increased by \$408,424.
3. **Grants and Contributions – Capital.** Annual receipts decreased \$58,472.

Expenses

Governmental and business-type activity expenses of the City for the year totaled \$3,414,922. This is a decrease of \$194,222 from the prior fiscal year. Governmental activity expenses totaled \$1,318,088, or 39% of total expenses. Business-type activities incurred \$2,096,834 of expenses during the fiscal year. Public safety - Police costs represented 51% of total governmental activities expenses, followed by Planning and Public Works (27%) and general government (16%). The remaining 4% were Building costs.

City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The change in net position for the fiscal years ended June 30, 2017, and 2016, follows:

| | Changes in Net Position | | | 2016 | | |
|---|---------------------------------|---------------------------------|----------------------|---------------------------------|---------------------------------|----------------------|
| | 2017 | | | 2016 | | |
| | Govern- mental Activities | Business- type Activities | Total | Govern- mental Activities | Business- type Activities | Total |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 78,965 | \$ 1,830,031 | \$ 1,908,996 | \$ 64,508 | \$ 2,103,882 | \$ 2,168,390 |
| Grants and contributions: | | | | | | |
| Operating | 312,807 | 136,999 | 449,806 | - | - | - |
| Capital | - | 502,833 | 502,833 | 181,943 | 561,305 | 743,248 |
| General revenues: | | | | | | |
| Property taxes, levied for general purposes | 122,137 | - | 122,137 | 116,326 | - | 116,326 |
| Sales taxes | 434,544 | - | 434,544 | 356,655 | - | 356,655 |
| Transient occupancy tax | 13,697 | - | 13,697 | 13,304 | - | 13,304 |
| Gas taxes | 79,588 | - | 79,588 | 224,000 | - | 224,000 |
| Franchise taxes | 92,335 | - | 92,335 | 85,422 | - | 85,422 |
| Motor vehicle in lieu | 365,353 | - | 365,353 | 358,109 | - | 358,109 |
| Use of money and property | 34,538 | 87 | 34,625 | 30,779 | - | 30,779 |
| Contributed capital | | 185,967 | | | | |
| Other general | 27,806 | 26,977 | 54,783 | 17,949 | 2,831 | 20,780 |
| Total revenues | <u>1,561,770</u> | <u>2,682,894</u> | <u>4,058,697</u> | <u>1,448,995</u> | <u>2,668,018</u> | <u>4,117,013</u> |
| Expenses: | | | | | | |
| Governmental activities: | | | | | | |
| General government | 212,185 | - | 212,185 | 299,778 | - | 299,778 |
| Public safety - Police | 671,729 | - | 671,729 | 613,556 | - | 613,556 |
| Planning and Public works | 361,854 | - | 361,854 | 422,737 | - | 422,737 |
| Building | 57,087 | - | 57,087 | 38,418 | - | 38,418 |
| Community Development | - | - | - | 6,850 | - | 6,850 |
| Recycling | 15,233 | - | 15,233 | 7,756 | - | 7,756 |
| Business-type activities: | | | | | | |
| Water | - | 1,297,557 | 1,297,557 | - | 1,362,701 | 1,362,701 |
| Wastewater | - | 799,277 | 799,277 | - | 857,348 | 857,348 |
| Total expenses | <u>1,318,088</u> | <u>2,096,834</u> | <u>3,399,689</u> | <u>1,389,095</u> | <u>2,220,049</u> | <u>3,609,144</u> |
| Excess (Deficiency) of revenues over expenditures before transfers | 243,682 | 586,060 | 829,742 | 59,900 | 447,969 | 507,869 |
| Transfer from fiduciary activities | - | - | - | - | - | - |
| Transfers | - | - | - | (2,677) | 2,677 | - |
| Change in net position | <u>243,682</u> | <u>586,060</u> | <u>829,742</u> | <u>57,223</u> | <u>450,646</u> | <u>507,869</u> |
| Net position: | | | | | | |
| Beginning of year | 7,284,525 | 17,866,895 | 25,151,420 | 7,227,302 | 17,416,249 | 24,643,551 |
| End of year | <u>\$ 7,528,207</u> | <u>\$ 18,452,955</u> | <u>\$ 25,981,162</u> | <u>\$ 7,284,525</u> | <u>\$ 17,866,895</u> | <u>\$ 25,151,420</u> |

City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

The following table shows the cost of each of the City's major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2017, and 2016, are as follows:

| | 2017 | | 2016 | |
|---------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| General government | \$ 212,185 | \$ 143,948 | \$ 299,778 | \$ 299,778 |
| Public safety - Police | 671,729 | 574,671 | 613,556 | 613,556 |
| Planning and public works | 361,854 | 135,377 | 422,737 | 176,286 |
| Building | 57,087 | 57,087 | 38,418 | 38,418 |
| Community Development | - | - | 6,850 | 6,850 |
| Recycling | 15,233 | 15,233 | 7,756 | 7,756 |
| Total | <u>\$ 1,318,088</u> | <u>\$ 926,316</u> | <u>\$ 1,389,095</u> | <u>\$ 1,142,644</u> |

Expenses for governmental activities were \$1,318,088 which was \$71,817 or 5.4% lower than the prior year. This results primarily from a position in Public Works that was unfilled for the majority of fiscal year 2017.

City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

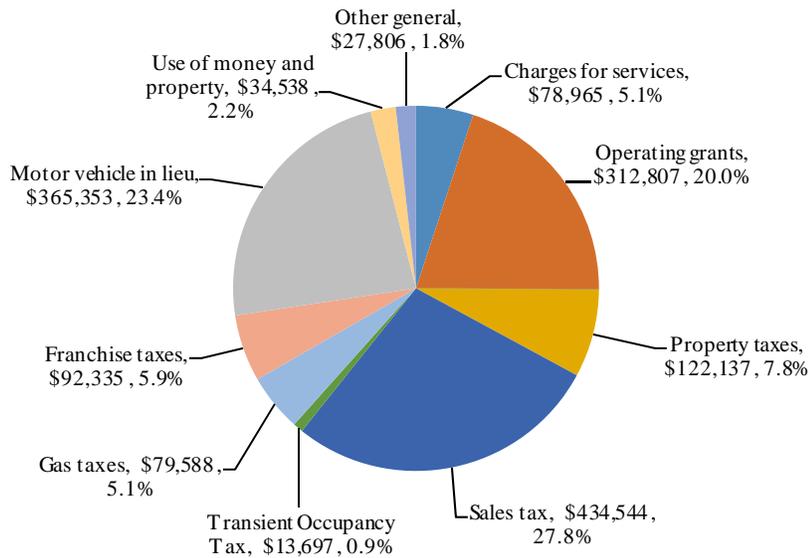
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

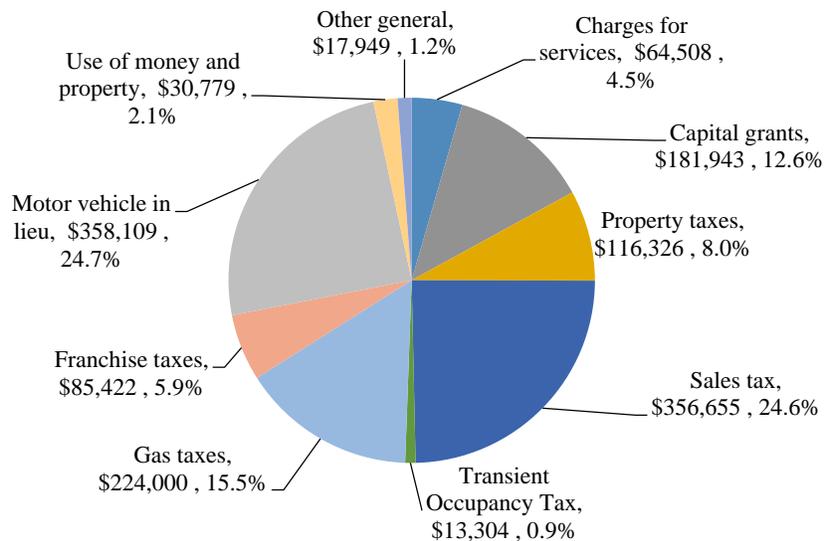
Governmental Activities, continued

Revenues by source for the fiscal years ended June 30, 2017, and 2016, are as follows:

Revenues by Source - Governmental Activities 2017



Revenues by Source - Governmental Activities 2016



City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

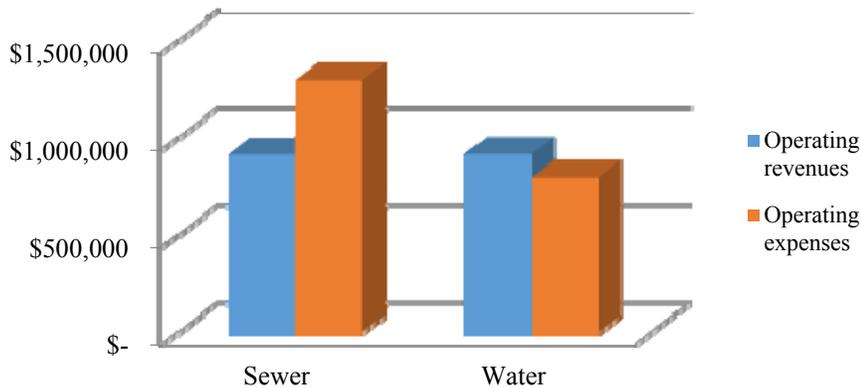
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

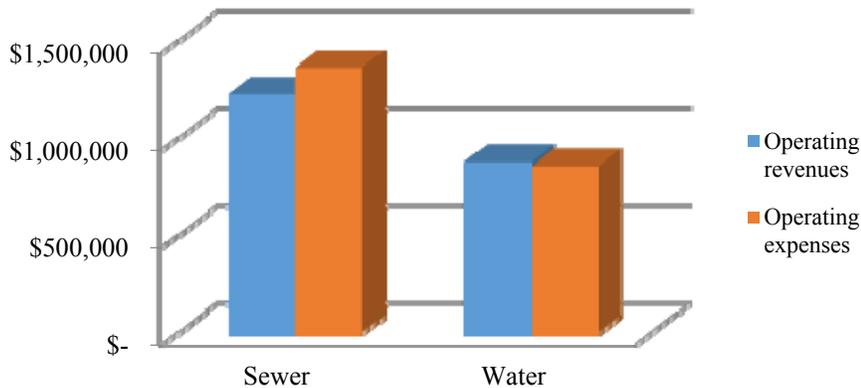
Business-type Activities

Business-type activities have increased the City’s net position by \$586,060. The City has two business-type activities: Sewer and Water Operations. The operating revenues and expenses for the business-type activities for the fiscal years ended June 30, 2017, and 2016, are as follows:

**Operating Revenues and Expenses
 Business-type Activities
 2017**



**Operating Revenues and Expenses
 Business-type Activities
 2016**



City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

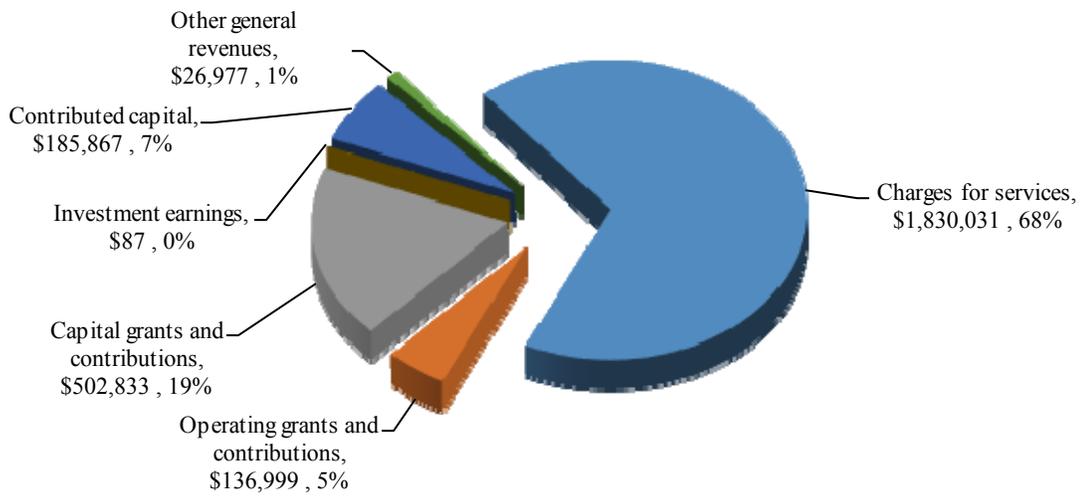
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

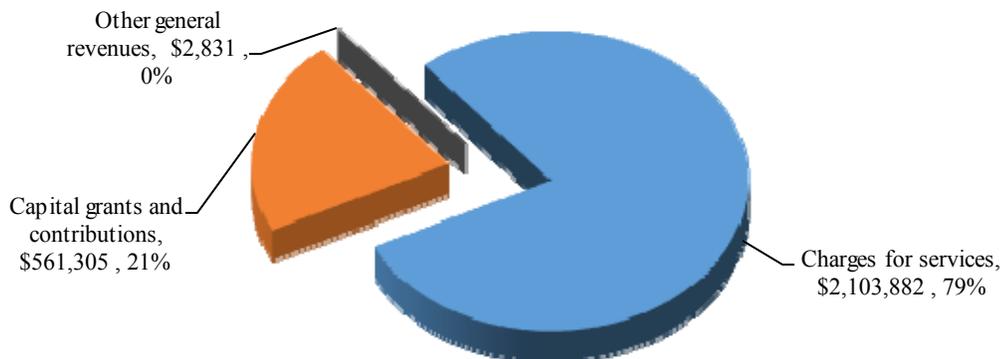
Business-type Activities, continued

The revenues by source for the business-type activities for the fiscal years ended June 30, 2017, and 2016, are as follows:

Revenues by Source - Business-type Activities 2017



Revenues by Source - Business-type Activities 2016



City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Financial Analysis of the Government's Funds

The City of Rio Dell uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements.

Governmental funds. The City's governmental funds provide information on near-term inflows, outflows, and balances of spending resources. At the fiscal year ended June 30, 2017, the City's governmental funds reported combined fund balances of \$2,029,121. This is an increase of \$201,656 or 10% from last year. This primarily results from revenues exceeding expenditures in the various governmental funds.

The General Fund is the chief operating fund of the City. At the fiscal year ended June 30, 2017, General Fund unassigned fund balance totaled \$1,373,159. This is an increase of \$242,836 from the prior year. This increase resulted from higher than anticipated sales tax revenues and decreased expenditures. Also, the streets repaving project budgeted as a capital improvement using general funds were not completed in fiscal year 2017, increasing fund balance by \$20,000.

Several capital construction projects were started and nearly completed during the fiscal year. Work on the Alternative Transportation Project (ATP) began. Major construction began on the Metropolitan Well Project. Additionally, the streets repaving project was nearly completed at the close of fiscal year 2017. Other projects and capital purchases that were completed were Old Ranch Road repairs, police vehicles purchase, vacuum machine purchase, and Painter Street pump replacement. The City spent approximately \$1 million on these projects during 2016/17.

Proprietary funds. The City ended the fiscal year with \$2,690,079 reported in the proprietary enterprise funds (the amount of net position available for use, including unrestricted net position, but excluding the investment in capital assets net of related debt). This is an increase of \$20,644 from 2016. The slight change is a result of revenues less expenditures that showed little change from the previous year.

General Fund Budgetary Highlights

The difference between the final budget and actual revenues differs favorably by \$214,504, or 19% of budget. This was mainly due to increased retail sales tax and Measure U revenue. The difference between the final budget and actual expenditures differs favorably by \$137,835. This results primarily from capital outlay expenditures which were budgeted but not completed during the year. Some of these will be carried over to the subsequent fiscal year.

City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

There was a \$141,971 difference between the total original expenditure budget and the total final amended budget. Actual expenditures were \$1,215,106 under budget (25% of budget). This resulted primarily from unspent capital outlay appropriations for several projects.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amount to \$27,681,581. This investment in capital assets includes land, construction in progress costs for road and median improvements, buildings and improvements, infrastructure, furniture and equipment, and vehicles.

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------|-------------------------|--------------|--------------------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2016 | 2015 |
| Land | \$ 627,945 | \$ 627,945 | \$ 507,859 | \$ 507,859 | \$ 1,135,804 | \$ 1,135,804 |
| Construction in progress | - | - | 928,713 | 344,870 | 928,713 | 344,870 |
| Buildings and structures | 15,390 | 21,484 | 34,467 | 49,240 | 49,857 | 70,724 |
| Equipment | 3,130 | 4,274 | 140,128 | 68,161 | 143,258 | 72,435 |
| Vehicles | 102,507 | 52,130 | - | - | 102,507 | 52,130 |
| Streets and roads | 1,634,941 | 1,583,963 | - | - | 1,634,941 | 1,583,963 |
| Infrastructures | 1,990,991 | 2,039,117 | 21,695,510 | 22,412,175 | 23,686,501 | 24,451,292 |
| Total | \$ 4,374,904 | \$ 4,328,913 | \$ 23,306,677 | \$ 23,382,305 | \$ 27,681,581 | \$ 27,711,218 |

More detail of the capital assets and current activity can be found in the notes to the financial statements on page 47 for significant accounting policies and Note 5 on pages 57 – 58 for other capital asset information.

Long-Term Debt

At June 30, 2017, the City had a \$7,933,745. Additional information about the City's long-term debt can be found in Note 7 to the basic financial statements.

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|-------------------------|-----------|--------------------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Compensated absences | \$ 30,108 | \$ 26,144 | \$ 25,502 | \$ 19,032 | \$ 55,610 | \$ 45,176 |
| Safe Drinking Water Loan | - | - | 1,700,000 | 1,836,000 | 1,700,000 | 1,836,000 |
| FMHA Special Assessment Bonds | - | - | 60,000 | 60,000 | 60,000 | 60,000 |
| State of California Water Resources Control Board | - | - | 6,118,135 | 6,282,845 | 6,118,135 | 6,282,845 |
| Total | \$ 30,108 | \$ 26,144 | \$ 7,903,637 | \$ 8,197,877 | \$ 7,933,745 | \$ 8,224,021 |

City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

Economic Outlook and Next Year's Budget and Rates

The budget for Fiscal Year 2017/18, adopted on May 16, 2017, is balanced and the economic outlook for the short- and long-term is considered stable, with the exception of the streets funds. The stabilization is a result of a continuing and reliable tax revenue stream, utility rates that adequately meet operating and capital costs, and the City's efforts over the past several years to contain and control expenditures.

Tax revenues, particularly property and sales taxes, continue to be steady through economic cycles which provide stability to the City's financial position. These revenues have increased modestly since the Great Recession. In addition, the City's tax revenue base was broadened with the passage of Measure U in 2014, the City's add-on tax. The City will once again propose to voters another ballot. Measure X is a business tax on medical marijuana products and sales in the City's industrial zone at Metropolitan Avenue. The tax is a general tax, meaning it needs a majority vote to pass. Voting takes place on November 7, 2017. Maintaining and growing the City's revenue base is a high priority for City staff.

Just as important as the maintaining and growing the City's revenue base, moderating expenditure growth is also imperative and will continue be challenging to the City. Personnel cost is the largest expense category and addressing personnel expenditure growth will remain a priority. The City, working together with bargaining units, has taken action to control the growth of the health insurance costs which have seen volatile increases over the past few years. Moreover, while health insurance costs for the City are expected to continue to climb at a moderate pace, the City does not participate in CalPERS, which would have adverse effects on the City's operating budget. The City offers a modest 457 retirement plan whose costs are nowhere near the costs of CalPERS. The long-term result has been a realizable cost for retirement benefits that in the past haven't been affordable for a City such as Rio Dell due to the City's stalled economic growth. Staff continues to endeavor towards economic growth, and has this as an on-going priority.

In summary, the City enters Fiscal Year 2017/18 in a solid position financially based on past efforts made to restructure itself to operate more efficiently and better contain costs. It has also benefitted from an ongoing economic recovery that is increasing revenues modestly. While vulnerabilities exist, some within the City's control and some not, the City believes it has taken, and will continue to take, the actions necessary to maintain a solid financial foundation.

Requests for Information

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report, or need additional financial information contact the City of Rio Dell Finance Department, 675, Rio Dell, CA 95562.

BASIC FINANCIAL STATEMENTS

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City of Rio Dell, California
Statement of Net Position
June 30, 2017

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 1,796,686 | \$ 2,904,698 | \$ 4,701,384 |
| Receivables: | | | |
| Accounts | 277,866 | 246,271 | 524,137 |
| Assessments | - | 30,000 | 30,000 |
| Intergovernmental | - | 301,341 | 301,341 |
| Loans/Notes receivable | 1,154,849 | - | 1,154,849 |
| Prepaid items | 25,632 | - | 25,632 |
| Total current assets | 3,255,033 | 3,482,310 | 6,737,343 |
| Noncurrent assets: | | | |
| Assessments receivable, net of current portion | - | 30,000 | 30,000 |
| Capital assets: | | | |
| Nondepreciable | 627,945 | 1,436,572 | 2,064,517 |
| Depreciable | 3,746,959 | 21,870,105 | 25,617,064 |
| Total noncurrent assets | 4,374,904 | 23,336,677 | 27,711,581 |
| Total assets | \$ 7,629,937 | \$ 26,818,987 | \$ 34,448,924 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 71,622 | \$ 297,456 | \$ 369,078 |
| Interest payable | - | 89,733 | 89,733 |
| Deposits payable | - | 75,205 | 75,205 |
| Compensated absences - current portion | 3,011 | 2,551 | 5,562 |
| Due within one year | - | 334,334 | 334,334 |
| Total current liabilities | 74,633 | 799,279 | 873,912 |
| Noncurrent liabilities: | | | |
| Long-term liabilities: | | | |
| Compensated absences | 27,097 | 22,952 | 50,049 |
| Due after one year | - | 7,543,801 | 7,543,801 |
| Total noncurrent liabilities | 27,097 | 7,566,753 | 7,593,850 |
| Total liabilities | 101,730 | 8,366,032 | 8,467,762 |
| NET POSITION | | | |
| Net investment in capital assets | 4,374,904 | 15,762,876 | 20,137,780 |
| Restricted | 443,869 | - | 443,869 |
| Unrestricted | 2,709,434 | 2,690,079 | 5,399,513 |
| Total net position | 7,528,207 | 18,452,955 | 25,981,162 |
| Total liabilities, deferred inflows of resources and net position | \$ 7,629,937 | \$ 26,818,987 | \$ 34,448,924 |

The accompanying notes are an integral part of these basic financial statements.

City of Rio Dell, California
Statement of Activities
For the year ended June 30, 2017

| Functions/Programs | Expenses | Charges for Services | Program Revenues Operating Grants and Contributions |
|---------------------------------|--------------|----------------------|--|
| Primary government: | | | |
| Governmental activities: | | | |
| General government | \$ 212,185 | 27,255 | 40,982 |
| Public safety - Police | 671,729 | - | 97,058 |
| Planning and public works | 361,854 | 51,710 | 174,767 |
| Building | 57,087 | - | - |
| Recycling | 15,233 | - | - |
| Total governmental activities | 1,318,088 | 78,965 | 312,807 |
| Business-type activities: | | | |
| Sewer | 1,297,557 | 914,179 | 136,999 |
| Water | 799,277 | 915,852 | - |
| Total business-type activities | 2,096,834 | 1,830,031 | 136,999 |
| Total primary government | \$ 3,414,922 | \$ 1,908,996 | \$ 449,806 |

General revenues:

- Taxes:
 - Property taxes, levied for general purposes
 - Sales taxes
 - Transient occupancy taxes
 - Gas taxes
 - Franchise taxes
- Intergovernmental:
 - State motor vehicle in-lieu tax (MVLFF)
 - Use of money and property
 - Contributed capital
 - Other general revenues
 - Total general revenues
- Transfer from Fiduciary Activities
- Transfers
 - Total general revenues and transfers
- Change in net position
- Net position:
 - Beginning of year
 - End of year

The accompanying notes are an integral part of these basic financial statements.

| Net (Expense) Revenue and Changes in Net Position | | | |
|--|------------------------------------|-------------------------------------|---------------|
| Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Totals |
| \$ - | \$ (143,948) | \$ - | \$ (143,948) |
| - | (574,671) | - | (574,671) |
| - | (135,377) | - | (135,377) |
| - | (57,087) | - | (57,087) |
| - | (15,233) | - | (15,233) |
| - | (926,316) | - | (926,316) |
| - | - | (246,379) | (246,379) |
| 502,833 | - | 619,408 | 619,408 |
| 502,833 | - | 373,029 | 373,029 |
| \$ 502,833 | (926,316) | 373,029 | (553,287) |
| | 122,137 | - | 122,137 |
| | 434,544 | - | 434,544 |
| | 13,697 | - | 13,697 |
| | 79,588 | - | 79,588 |
| | 92,335 | - | 92,335 |
| | 365,353 | - | 365,353 |
| | 34,538 | 87 | 34,625 |
| | - | 185,967 | 185,967 |
| | 27,806 | 26,977 | 54,783 |
| | 1,169,998 | 213,031 | 1,383,029 |
| | - | - | - |
| | - | - | - |
| | 1,169,998 | 213,031 | 1,383,029 |
| | 243,682 | 586,060 | 829,742 |
| | 7,284,525 | 17,866,895 | 25,151,420 |
| \$ | 7,528,207 | \$ 18,452,955 | \$ 25,981,162 |

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FUND FINANCIAL STATEMENTS
MAJOR FUNDS

| Fund | Description |
|------------------------------|---|
| Governmental Funds: | Governmental funds are used for taxes and grants. |
| General | Primary operating fund of the City; accounts for all activities except those legally or administratively required to be accounted for in other funds. |
| CDBG Housing Special Revenue | Accounts for activities related to housing and the related CDBG funding. |

City of Rio Dell, California
Balance Sheet
Governmental Funds
June 30, 2017

| | <u>Major Funds</u> | | | <u>Totals</u> |
|--|---------------------|-----------------------------|------------------------------------|---------------------|
| | <u>General Fund</u> | <u>CDBG Special Revenue</u> | <u>Nonmajor Governmental Funds</u> | |
| ASSETS | | | | |
| Cash and investments | \$ 1,303,857 | \$ 185,087 | \$ 307,742 | \$ 1,796,686 |
| Receivables: | | | | |
| Interest | 11 | - | - | 11 |
| Loans/Notes receivable | - | 1,154,849 | - | 1,154,849 |
| Other receivable | 150,570 | 58,739 | 68,546 | 277,855 |
| Due from other funds | 28,105 | - | - | 28,105 |
| Prepaid items | 25,632 | - | - | 25,632 |
| Total assets | <u>\$ 1,508,175</u> | <u>\$ 1,398,675</u> | <u>\$ 376,288</u> | <u>\$ 3,283,138</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 59,590 | \$ 175 | \$ 11,857 | \$ 71,622 |
| Due to other funds | - | - | 28,105 | 28,105 |
| Total liabilities | <u>59,590</u> | <u>175</u> | <u>39,962</u> | <u>99,727</u> |
| Deferred inflows of resources: | | | | |
| Unavailable revenue | - | 1,154,290 | - | 1,154,290 |
| Total deferred inflows of resources: | <u>-</u> | <u>1,154,290</u> | <u>-</u> | <u>1,154,290</u> |
| Total Liabilities and deferred inflows | <u>59,590</u> | <u>1,154,465</u> | <u>39,962</u> | <u>1,254,017</u> |
| Fund balances: | | | | |
| Nonspendable | 25,632 | - | - | 25,632 |
| Restricted | - | 244,210 | 199,659 | 443,869 |
| Committed | 49,794 | - | - | 49,794 |
| Assigned | - | - | 139,969 | 139,969 |
| Unassigned (Deficit) | 1,373,159 | - | (3,302) | 1,369,857 |
| Total fund balances | <u>1,448,585</u> | <u>244,210</u> | <u>336,326</u> | <u>2,029,121</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 1,508,175</u> | <u>\$ 1,398,675</u> | <u>\$ 376,288</u> | <u>\$ 3,283,138</u> |

The accompanying notes are an integral part of these basic financial statements.

City of Rio Dell, California
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total fund balances - total governmental funds \$ 2,029,121

Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.

4,374,904

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

Compensated absences

(30,108)

Governmental funds notes receivable from various loan programs are deferred under the current financial resources measurement focus. The notes receivable are recognized in the government-wide Statement of Net Position under the accrual basis of accounting.

1,154,290

Net Position of governmental activities

\$ 7,528,207

The accompanying notes are an integral part of these basic financial statements.

City of Rio Dell, California

Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position

Governmental Activities

June 30, 2017

| | Governmental Funds Balance Sheet | Reclassifications | Changes in GAAP | Statement of Net Position |
|---|--|--------------------|---------------------|------------------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 1,796,686 | \$ - | \$ - | \$ 1,796,686 |
| Receivables: | | | | |
| Interest | 11 | - | - | 11 |
| Loans/Notes receivable | 1,154,849 | - | - | 1,154,849 |
| Other receivable | 277,855 | - | - | 277,855 |
| Due from other funds | 28,105 | (28,105) | - | - |
| Prepaid items | 25,632 | - | - | 25,632 |
| Total current assets | 3,283,138 | (28,105) | - | 3,255,033 |
| Noncurrent assets: | | | | |
| Capital assets, net | - | - | 4,374,904 | 4,374,904 |
| Total noncurrent assets | - | - | 4,374,904 | 4,374,904 |
| Total assets | 3,283,138 | (28,105) | 4,374,904 | 7,629,937 |
| Deferred outflows of resources: | | | | |
| Pension Plan | - | - | - | - |
| Total assets and deferred outflows of resources | \$ 3,283,138 | \$ (28,105) | \$ 4,374,904 | \$ 7,629,937 |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 71,622 | \$ - | \$ - | \$ 71,622 |
| Due to other funds | 28,105 | (28,105) | - | - |
| Compensated absences - current portion | - | - | 3,011 | 3,011 |
| Total current liabilities | 99,727 | (28,105) | 3,011 | 74,633 |
| Noncurrent liabilities: | | | | |
| Long-term liabilities: | | | | |
| Compensated absences | - | - | 27,097 | 27,097 |
| Total noncurrent liabilities | - | - | 27,097 | 27,097 |
| Total liabilities | 99,727 | (28,105) | 30,108 | 101,730 |
| Deferred inflows of resources | | | | |
| Unavailable revenue | 1,154,290 | - | (1,154,290) | - |
| Total liabilities and deferred inflows of resources: | 1,254,017 | (28,105) | (1,124,182) | 101,730 |
| FUND BALANCES/NET POSITION | | | | |
| Fund balances: | | | | |
| Nonspendable | 25,632 | (25,632) | - | - |
| Restricted | 443,869 | (443,869) | - | - |
| Committed | 49,794 | (49,794) | - | - |
| Assigned | 139,969 | (139,969) | - | - |
| Unassigned (deficit) | 1,369,857 | (1,369,857) | - | - |
| Net position: | | | | |
| Net investment in capital assets | - | - | 4,374,904 | 4,374,904 |
| Restricted | - | - | 443,869 | 443,869 |
| Unrestricted | - | 2,029,121 | 680,313 | 2,709,434 |
| Total fund balances/net position | 2,029,121 | - | 5,499,086 | 7,528,207 |
| Total liabilities, deferred inflows and net position | \$ 3,283,138 | \$ (28,105) | \$ 4,374,904 | \$ 7,629,937 |

The accompanying notes are an integral part of these basic financial statements.

City of Rio Dell, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2017

| | Major Funds | | | Totals |
|---|---------------------|-----------------------------|---------------------------------|---------------------|
| | General Fund | CDBG Special Revenue | Other Governmental Funds | |
| REVENUES: | | | | |
| Property taxes | \$ 122,137 | \$ - | \$ - | \$ 122,137 |
| Sales taxes | 434,544 | - | - | 434,544 |
| Occupancy taxes | 13,697 | - | - | 13,697 |
| Gas tax | - | - | 79,588 | 79,588 |
| Intergovernmental | 365,353 | 40,982 | 271,825 | 678,160 |
| Licenses, permits, and franchise fees | 119,590 | - | 51,710 | 171,300 |
| Interest and use of property | 21,538 | 12,997 | 3 | 34,538 |
| Miscellaneous | 24,148 | - | 3,658 | 27,806 |
| Total revenues | 1,101,007 | 53,979 | 406,784 | 1,561,770 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 147,757 | 16,765 | 43,698 | 208,220 |
| Public safety - Police | 542,237 | - | 129,492 | 671,729 |
| Planning and public works | 75,942 | - | 161,406 | 237,348 |
| Building | - | - | 57,087 | 57,087 |
| Housing and Community Development | - | - | - | - |
| Recycling | 22 | - | 15,211 | 15,233 |
| Capital outlay | 136,581 | - | 33,916 | 170,497 |
| Total expenditures | 902,539 | 16,765 | 440,810 | 1,360,114 |
| REVENUES OVER (UNDER) EXPENDITURES | 198,468 | 37,214 | (34,026) | 201,656 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 10,055 | 10,055 |
| Transfers out | (10,055) | - | - | (10,055) |
| Total other financing sources (uses) | (10,055) | - | 10,055 | - |
| Net change in fund balances | 188,413 | 37,214 | (23,971) | 201,656 |
| FUND BALANCES: | | | | |
| Beginning of year | 1,260,172 | 206,996 | 360,297 | 1,827,465 |
| End of year | <u>\$ 1,448,585</u> | <u>\$ 244,210</u> | <u>\$ 336,326</u> | <u>\$ 2,029,121</u> |

The accompanying notes are an integral part of these basic financial statements.

City of Rio Dell, California

Reconciliation of Fund Basis Statements to Government-wide Statement of Activities

For the year ended June 30, 2017

| Functions/Programs | Fund Based Totals | Compensated Absences/ Debt Service | Depreciation | Capital Asset (Additions)/ Retirements | Government- wide Totals |
|--------------------------------------|----------------------|---|-------------------|---|-------------------------------|
| Governmental activities: | | | | | |
| General government | \$ 208,220 | \$ 3,965 | \$ - | \$ - | \$ 212,185 |
| Public safety - Police | 671,729 | - | - | - | 671,729 |
| Planning and public works | 237,348 | - | 104,920 | 19,586 | 361,854 |
| Building | 57,087 | - | - | - | 57,087 |
| Recycling | 15,233 | - | - | - | 15,233 |
| Capital outlay | 170,497 | - | - | (170,497) | - |
| Total governmental activities | \$ 1,360,114 | \$ 3,965 | \$ 104,920 | \$ (150,911) | \$ 1,318,088 |

The accompanying notes are an integral part of these basic financial statements.

City of Rio Dell, California

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the year ended June 30, 2017

| | |
|---|-------------------|
| Net change in fund balances - total governmental funds | \$ 201,656 |
|---|-------------------|

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

| | | |
|-------------------------------------|------------------|--------|
| Capital asset purchases capitalized | \$ 150,911 | |
| Depreciation expense | <u>(104,920)</u> | 45,991 |

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>(3,965)</u> |
|--------------------------------|----------------|

| | |
|--|---------------------------------|
| Change in Net Position of governmental activities | <u><u>\$ 243,682</u></u> |
|--|---------------------------------|

The accompanying notes are an integral part of these basic financial statements.

City of Rio Dell, California
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget to Actual - Major Funds
For the year ended June 30, 2017

| | General Fund | | | Variance w/Final Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 128,110 | \$ 128,110 | \$ 122,137 | \$ (5,973) |
| Sales taxes | 273,800 | 273,800 | 434,544 | 160,744 |
| Occupancy taxes | 10,500 | 10,500 | 13,697 | 3,197 |
| Gas tax | - | - | - | - |
| Intergovernmental | 354,600 | 354,600 | 365,353 | 10,753 |
| Licenses, permits, and franchise fees | 99,955 | 99,955 | 119,590 | 19,635 |
| Interest and use of property | 18,300 | 18,300 | 21,538 | 3,238 |
| Miscellaneous | 2,800 | 2,800 | 24,148 | 21,348 |
| Total revenues | 888,065 | 888,065 | 1,101,007 | 212,942 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 169,083 | 172,101 | 147,757 | 24,344 |
| Public safety - Police | 547,770 | 569,017 | 542,237 | 26,780 |
| Planning and public works | 91,751 | 84,466 | 75,942 | 8,524 |
| Building | - | - | - | - |
| Housing and Community Development | - | - | - | - |
| Recycling | - | - | 22 | (22) |
| Capital outlay | 172,632 | 212,832 | 136,581 | 76,251 |
| Total expenditures | 981,236 | 1,038,416 | 902,539 | 135,877 |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | (93,171) | (150,351) | 198,468 | 348,819 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | (10,055) | (10,055) |
| Total other financing sources (uses) | - | - | (10,055) | (10,055) |
| Net change in fund balances | (93,171) | (150,351) | 188,413 | 338,764 |
| FUND BALANCES: | | | | |
| Beginning of year | 1,260,172 | 1,260,172 | 1,260,172 | - |
| End of year | <u>\$ 1,167,001</u> | <u>\$ 1,109,821</u> | <u>\$ 1,448,585</u> | <u>\$ 338,764</u> |

The accompanying notes are an integral part of these basic financial statements.

| CDBG Special Revenue Fund | | | |
|----------------------------------|------------------|-------------------|--|
| Budgeted Amounts | | Actual | Variance w/Final Positive (Negative) |
| Original | Final | | |
| \$ - | \$ - | \$ - | \$ - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 12,000 | 12,000 | 40,982 | 28,982 |
| - | - | - | - |
| - | - | 12,997 | 12,997 |
| - | - | - | - |
| <u>12,000</u> | <u>12,000</u> | <u>53,979</u> | <u>41,979</u> |
| 166,642 | 166,809 | 16,765 | 150,044 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| <u>166,642</u> | <u>166,809</u> | <u>16,765</u> | <u>150,044</u> |
| <u>(154,642)</u> | <u>(154,809)</u> | <u>37,214</u> | <u>192,023</u> |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| <u>(154,642)</u> | <u>(154,809)</u> | <u>37,214</u> | <u>192,023</u> |
| <u>206,996</u> | <u>206,996</u> | <u>206,996</u> | <u>-</u> |
| <u>\$ 52,354</u> | <u>\$ 52,187</u> | <u>\$ 244,210</u> | <u>\$ 192,023</u> |

ENTERPRISE FUNDS

| Fund | Description |
|---------------------|--|
| Major Funds: | |
| Sewer Fund | Accounts for the operation and maintenance of the City's wastewater treatment plant and collection facilities. |
| Water Fund | Accounts for the operation and maintenance of the City's water treatment and distribution system. |

City of Rio Dell, California
Statement of Net Position
Proprietary Funds
June 30, 2017

| | Sewer Fund | Water Fund | Totals |
|--|-----------------------|-----------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 2,013,019 | \$ 891,679 | \$ 2,904,698 |
| Receivables: | | | |
| Accounts | 130,296 | 115,975 | 246,271 |
| Assessments | 30,000 | - | 30,000 |
| Intergovernmental | - | 301,341 | 301,341 |
| Total current assets | <u>2,173,315</u> | <u>1,308,995</u> | <u>3,482,310</u> |
| Noncurrent assets: | | | |
| Assessments receivable, net of current portion | 30,000 | - | 30,000 |
| Capital assets, net | 14,325,814 | 8,980,863 | 23,306,677 |
| Total noncurrent assets | <u>14,355,814</u> | <u>8,980,863</u> | <u>23,336,677</u> |
| Total Assets | <u>\$ 16,529,129</u> | <u>\$ 10,289,858</u> | <u>\$ 26,818,987</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 35,607 | \$ 261,849 | \$ 297,456 |
| Interest payable | 89,733 | - | 89,733 |
| Deposits payable | 43,653 | 31,552 | 75,205 |
| Compensated absences - current portion | 1,244 | 1,307 | 2,551 |
| Due within one year | 198,334 | 136,000 | 334,334 |
| Total current liabilities | <u>368,571</u> | <u>430,708</u> | <u>799,279</u> |
| Noncurrent liabilities: | | | |
| Compensated absences | 11,192 | 11,760 | 22,952 |
| Due after one year | 5,979,801 | 1,564,000 | 7,543,801 |
| Total noncurrent liabilities | <u>5,990,993</u> | <u>1,575,760</u> | <u>7,566,753</u> |
| Total liabilities | <u>6,359,564</u> | <u>2,006,468</u> | <u>8,366,032</u> |
| Net Position: | | | |
| Net investment in capital assets | 8,346,013 | 7,416,863 | 15,762,876 |
| Unrestricted | 1,823,552 | 866,527 | 2,690,079 |
| Total net position | <u>10,169,565</u> | <u>8,283,390</u> | <u>18,452,955</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 16,529,129</u> | <u>\$ 10,289,858</u> | <u>\$ 26,818,987</u> |

The accompanying notes are an integral part of these basic financial statements.

City of Rio Dell, California
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2017

| | Sewer Fund | Water Fund | Totals |
|--|-----------------------|-----------------------|----------------------|
| OPERATING REVENUES: | | | |
| Charges for service | 874,596 | 874,044 | \$ 1,748,640 |
| Connection fees | 15,750 | 9,259 | 25,009 |
| Late fees | 23,833 | 32,549 | 56,382 |
| Total operating revenues | 914,179 | 915,852 | 1,830,031 |
| OPERATING EXPENSES: | | | |
| Current operations: | | | |
| General government | 227,897 | 240,144 | 468,041 |
| Public works | 537,874 | 350,617 | 888,491 |
| Depreciation | 531,786 | 208,516 | 740,302 |
| Total operating expenses | 1,297,557 | 799,277 | 2,096,834 |
| OPERATING INCOME | (383,378) | 116,575 | (266,803) |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Miscellaneous | 11,322 | 12,806 | 24,128 |
| Intergovernmental revenues (expenses) | - | 502,833 | 502,833 |
| Replacement reserve | 136,999 | - | 136,999 |
| Bad debt recovery (expense) | 1,501 | 1,348 | 2,849 |
| Interest revenue | 83 | 4 | 87 |
| Contributed capital | - | 185,967 | 185,967 |
| Total non-operating revenues, net | 149,905 | 702,958 | 852,863 |
| NET INCOME BEFORE TRANSFERS | (233,473) | 819,533 | 586,060 |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Total transfers | - | - | - |
| CHANGE IN NET POSITION | (233,473) | 819,533 | 586,060 |
| NET POSITION: | | | |
| Beginning of year | 10,403,038 | 7,463,857 | 17,866,895 |
| End of year | \$ 10,169,565 | \$ 8,283,390 | \$ 18,452,955 |

The accompanying notes are an integral part of these basic financial statements.

City of Rio Dell, California
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2017

| | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>Totals</u> |
|---|-----------------------|-----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from customers/users for services provided | \$ 911,364 | \$ 898,608 | \$ 1,809,972 |
| Cash payments to suppliers for goods and services | (405,111) | (49,856) | (454,967) |
| Cash payments to employees for services | (432,322) | (313,999) | (746,321) |
| Net cash provided by operating activities | <u>73,931</u> | <u>534,753</u> | <u>608,684</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Receipts from miscellaneous | 11,322 | 12,806 | 24,128 |
| Receipts from repliacement reserve | 136,999 | - | 136,999 |
| Receipts from bad debt recovery | 1,501 | 1,348 | 2,849 |
| Net cash used by noncapital financing activities | <u>149,822</u> | <u>14,154</u> | <u>163,976</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Capital grants received | - | 288,687 | 288,687 |
| Acquisition and construction of capital assets | (80,831) | (397,876) | (478,707) |
| Principal paid on long term debt | (164,710) | (136,000) | (300,710) |
| Interest paid on long term debt | 89,733 | - | 89,733 |
| Net cash (used) by capital and related financing activities | <u>(155,808)</u> | <u>(245,189)</u> | <u>(400,997)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Investment income received | 83 | 4 | 87 |
| Net cash provided by investing activities | <u>83</u> | <u>4</u> | <u>87</u> |
| Net increase (decrease) in cash and cash equivalents | 68,028 | 303,722 | 371,750 |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of year | 1,944,991 | 587,957 | 2,532,948 |
| End of year | <u>\$ 2,013,019</u> | <u>\$ 891,679</u> | <u>\$ 2,904,698</u> |
| Reconciliation of income from operations to net cash provided by operating activities: | | | |
| Operating income | \$ (383,378) | \$ 116,575 | \$ (266,803) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 531,786 | 208,516 | 740,302 |
| (Increase) decrease in current assets: | | | |
| Accounts receivable | (2,815) | (17,244) | (20,059) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable | 13,281 | 223,654 | 236,935 |
| Accrued liabilities | (92,157) | - | (92,157) |
| Deposits payable | 3,411 | 584 | 3,995 |
| Compensated absences | 3,803 | 2,668 | 6,471 |
| Net cash provided by operating activities | <u>\$ 73,931</u> | <u>\$ 534,753</u> | <u>\$ 608,684</u> |

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2017.

The accompanying notes are an integral part of these basic financial statements.

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FIDUCIARY ACTIVITIES

| Fund | Description |
|--------------------|--|
| Agency Fund | Used to account for assets held for dirtribution by the City as an agent for another entity. |

City of Rio Dell, California
Statement of Fiduciary Net Position
Fiduciary Activities
June 30, 2017

| | <u>Agency Fund</u> |
|-----------------------------------|---------------------|
| ASSETS | |
| Cash and investments | \$ 2,868 |
| Total current assets | <u>2,868</u> |
| LIABILITIES | |
| Deposits in trust - due to others | \$ 2,868 |
| Total Liabilities | <u><u>2,868</u></u> |

The accompanying notes are an integral part of these basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

City of Rio Dell, California
Basic Financial Statements
For the year ended June 30, 2017

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City of Rio Dell, California
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Rio Dell (the City) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles are described below.

Financial Reporting Entity

The City is a general law City incorporated in the State of California on February 26, 1965. The City is governed by an elected, five-member City Council. The following services are provided by the City to its citizens: public safety (police); highways and streets; drinking water; wastewater collection, treatment and disposal; public improvements; parks and recreation; planning and zoning; and general administrative services.

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include sales taxes, other intergovernmental revenue from state and federal sources, user fees, and federal and state financial assistance.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component units, if applicable as indicated below, may be obtained by writing to the City of Rio Dell, Finance Department, 675 Wildwood Ave., Rio Dell, CA 95562.

Description of Joint Powers Agreements

The City participates in several joint power agreements (JPAs) as described in Note 11. The financial activities of the JPAs are not included in the accompanying basic financial statements because JPAs are administered by governing boards that are separate from and independent of the City.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Basis of Presentation

Government-Wide Financial Statements

The statement of net position 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions restricted to the operating or capital requirements of a specific function or segment. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

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, which constitute its assets, liabilities, fund equity, revenues, and expenditures/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 fund are at least ten 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 are at least five percent of the corresponding total for all governmental funds combined.

The City reports the following major funds:

- General Fund
- CDBG Special Revenue Fund

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Basis of Presentation, Continued

Descriptions of these funds are included on the divider page preceding the Governmental Funds Balance Sheet.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund. From this fund are paid the City's general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

Capital Project Funds

The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Fiduciary Funds

Agency Funds

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.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net position, which serves as an indicator of financial position.

In the fund financial statements, the "current financial resources" measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The enterprise funds and private purpose trust funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise fund and private purpose trust funds equity is classified as net position.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

The government-wide, proprietary and fiduciary funds financial statements required by GASB Statement No. 34 are reported using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

The governmental fund financial statements are accounted for on a spending or "current financial resources" measurement focus, and the modified accrual basis of accounting. Accordingly, only current assets and liabilities (except for long-term advances from the City) are included in the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Basis of Accounting, Continued

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after fiscal year end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, intergovernmental revenues, other taxes and investment earnings. Fines, licenses and permits, and charges for services are not susceptible to accrual because they are not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost- reimbursement grants, categorical block grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving value in exchange, include taxes, grants, entitlements and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Assets, Liabilities, and Equity

Cash Deposits and Investments

The City pools cash from all sources and all funds, except certain specific investments within funds and cash with fiscal agents, so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

The City's investment policy and section 53601 of the California Government Code allow the following investments:

- a) Certificates of Deposit;
- b) Obligations of the State of California.

The City does not enter into reverse repurchase agreements.

The City's investments are carried at fair value instead of cost, as required by U.S. generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end if material, and it includes the effects of these adjustments in income for that fiscal year.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Assets, Liabilities, and Equity, Continued

The City places certain funds with the State of California's Local Agency Investment Fund (LAIF). The City is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the City's investment in this pool is reported in the accompanying financial statements based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

The monies held in the pooled investment funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on the amortized cost basis. Funds are accessible and transferable to the master account with twenty-four hours' notice. Included in LAIF's investments are collateralized mortgage obligations, mortgage backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. Financial statements for LAIF can be obtained from the California State Treasurer's Office: State Treasurer's Office, 915 Capitol Mall, Suite 110, Sacramento, CA 95814.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net position. See Note 9 for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, utility user taxes, intergovernmental subventions, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, utility user tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Assets, Liabilities, and Equity, Continued

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The loans receivable are recorded in the fund statements, but are deferred to indicate they do not represent current financial resources. The loans are recognized when advanced in the government-wide statements. The City's experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

Inventory

The City does not record and maintain inventory records of unused materials and supplies for the various funds. Inventories are considered immaterial and materials and supplies are currently expensed.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund financial statements, prepaid items are offset with a reservation of fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

Government-Wide Statements

Public domain (infrastructure) capital assets include roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems.

The accounting treatment of property, plant and equipment (capital assets) 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.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. No depreciation is recorded in the year of acquisition or in the year of disposition.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Assets, Liabilities, and Equity, Continued

The range of estimated useful lives by type of asset is as follows:

| | | | |
|-------------------------------|--------------|-------------------------|-------------|
| Buildings and improvements | 5 – 50 years | Landscaping | 30 years |
| Roadway improvements | 50 years | Signage | 25 years |
| Sidewalks, curbs, and gutters | 50 years | Leasehold improvements | 5 years |
| Storm drain pipes/structures | 50 years | Machinery and equipment | 3 – 5 years |
| Traffic signal devices | 5 – 40 years | Vehicles | 3 years |

Fund Financial Statements

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, deferred inflows on the City’s CDBG loans reported in the governmental funds balance sheet.

Compensated Absences

Full time employees accumulate earned vacation, holiday and compensated leave of varying amounts dependent upon length of service with the City. These amounts are deemed fully vested with the employee when earned. The City also provides full time employees with sick leave that generally must be used for sickness and injury-related leave time.

The City does not currently provide post-employment benefits.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Assets, Liabilities, and Equity, Continued

Unearned Revenues

Unearned revenues in governmental funds arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues in enterprise funds and the statement of net position arise when resources are received by the City before it has legal claim to them, (i.e., when grant monies are received prior to the incurrence of qualifying expenses).

Equity Classification

Government-Wide Statements

Equity is classified as net position and is 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 position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or bylaws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the City:

Nonspendable Fund Balance –

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Equity Classification, Continued

Fund Financial Statements, continued

Restricted Fund Balance –

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation (Gas Tax).

Committed Fund Balance –

- Self imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Council) that requires formal action at the same level to remove.
- Council resolution is required to be taken to establish, modify or rescind a fund balance commitment

Assigned Fund Balance –

- Amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.
- Assigned amounts for a specific purpose are as authorized by the City's Finance Director through its fund balance policy.

Unassigned Fund Balance –

- Residual net resources
- Total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Revenues, Expenditures, and Expenses

Property Tax

The County of Humboldt (the County) assesses properties, bills for, collects, and distributes property taxes for the City per the following schedule:

| | <u>Secured</u> | <u>Unsecured</u> |
|------------------|--|------------------|
| Valuation dates | March 1 | March 1 |
| Lien/Levy dates | July 1 | July 1 |
| Due dates | 50% on November 1 50% on February 1 | July 1 |
| Delinquent as of | December 10, April 10 | August 31 |

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above.

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" allocation. 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.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Interfund Transfers

Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Budgetary Accounting

The City Council establishes budgets for the General Fund and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval. The City Manager is authorized to increase expenditures in relation to revenues in funds receiving assigned revenues without approval by the City Council.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. There were no material supplemental appropriations made for the fiscal year ended June 30, 2015. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Reclassifications

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

2. CASH AND INVESTMENTS

Pooled Cash and Investments

The City pools cash from all sources and funds, except certain specific investments within funds and cash with fiscal agents, so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

Categorization of Credit Risk of Securities Instruments

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the City's fiscal agents as required under its debt issues. In order to maximize security, the City employs the Trust Department of a bank as custodian of all City managed investments, regardless of their form.

At June 30, 2017, the City's pooled cash and investments, classified by maturity, consisted of the following stated at fair value:

| | Maturities (in years) | | | Deposits | Fair |
|--|-----------------------|--------|--------|--------------|--------------|
| | <1 | 1 to 3 | 3 to 5 | | Market Value |
| <u>Cash equivalents and investments pooled</u> | | | | | |
| Pooled cash, at fair value | | | | | |
| Cash in bank | \$ - | \$ - | \$ - | \$ 4,698,167 | \$ 4,698,167 |
| Petty cash | - | - | - | 1,250 | 1,250 |
| Total pooled items | - | - | - | 4,699,417 | 4,699,417 |
| <u>Pooled investments, at fair value</u> | | | | | |
| State of California Local Agency Investment Fund | 4,835 | - | - | - | 4,835 |
| Total pooled investments - interest obligations | 4,835 | - | - | - | 4,835 |
| Total cash equivalents and investments pooled | \$ 4,835 | \$ - | \$ - | \$ 4,699,417 | \$ 4,704,252 |
| Amounts reported in: | | | | | |
| Governmental activities | | | | | \$ 1,796,686 |
| Business-type activities | | | | | 2,904,698 |
| Fiduciary activities | | | | | 2,868 |
| Total | | | | | \$ 4,704,252 |

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Maturity (Years)</u> |
|-------------------------------------|-------------------|-------------------------|
| State investment pool | \$ 4,835 | - |
| Total fair value | \$ 4,835 | |
| Portfolio weighted average maturity | | - |

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, *continued*

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 manages its exposure to interest rate risk 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.

Credit risk – Custodial credit risk for investments is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments in LAIF and the fiscal agent money market funds are not evidenced by specific securities and, therefore, are not subject to custodial credit risk.

Concentration of credit risk – The City’s investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government’s total investments. The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City’s Investment Policy, which is accepted annually by the City Council. There were no concentrations in any one issuer for the year.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested 2.25% of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

Custodial credit risk – deposits. For deposits, this is the risk that, in the event of a bank failure, the City’s deposits may not be returned. The City’s Investment Policy addresses custodial credit risk, which follows the Government Code.

At June 30, 2017, the carrying amount of the City’s deposits was \$4,698,167 and the balances in financial institutions were \$4,625,653. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$4,375,653 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. As of June 30, 2017, the City’s investments were held by the City’s custodial agent, but not in the City’s name, and were insured up to specified limits by the Securities Investor Protection Corporation (SIPC) and supplemental private insurance up to a limit of \$150 million.

California Law requires banks and savings and loan associations to pledge government securities with a market value of 110% of the City's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law, this collateral is held in the City's name and places the City ahead of general creditors of the institution.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, *continued*

Custodial credit risk – investments. For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty. For the investments maintained by the City, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security.

Investment in LAIF

The City is a voluntary participant in California Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute, and is chaired by the State Treasurer who is responsible for day to day administration of LAIF. The total amount invested by all public agencies as of June 30, 2017 was \$22,812,817,838 of which the City had a balance of \$4,835. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2017 has a portfolio with market valuation of \$77,616,684 thousand. Of the total invested, 97.75% was invested in non-derivative financial products and 2.25% in structured notes and asset-backed securities. The fair value of the City's investment in this pool is 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 LAIF 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.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2017:

| | <u>Receivables</u> |
|--------------------------|--------------------|
| Governmental Activities | |
| Accounts receivable | \$ 217,451 |
| | <u>\$ 217,451</u> |
| Business-type activities | |
| Accounts receivable | \$ 276,271 |
| Intergovernmental | 301,341 |
| | <u>\$ 577,612</u> |

These amounts resulted in the following concentrations in receivables:

| | |
|----------------------|-------|
| Other Governments | 37.9% |
| Individuals/Business | 62.1% |

Amounts do not indicate a significant concentration (greater than 25%) with any single individual, business or agency.

4. LOANS RECEIVABLE

The City engages in programs designed to encourage business enterprises, construction or improvement in low-to-moderate income housing, or other projects. Under these programs, grants or loans are provided with favorable terms to businesses, homeowners or developers who agree to spend these funds in accordance with the City's terms.

Loans receivable for the year ended June 30, 2017, consisted of the following:

| | <u>Beginning</u> | | | <u>Ending</u> |
|---|---------------------|------------------|--------------------|----------------------|
| | <u>July 1, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2017</u> |
| Housing Rehabilitation and Affordable Housing Notes | \$ 1,195,832 | \$ - | \$ (40,983) | \$ 1,154,849 |
| Total loans receivable | <u>\$ 1,195,832</u> | <u>\$ -</u> | <u>\$ (40,983)</u> | <u>\$ 1,154,849</u> |

Housing Rehabilitation, Business Enterprise and Affordable Housing

The City has provided loans to various homeowners and businesses for rehabilitation. The maximum loan amount is \$100,000, carrying various interest rates and payment dates. Although these notes are expected to be repaid in full, their balance has been offset by deferred revenue. Governmental funds report a deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

5. CAPITAL ASSETS

Governmental capital asset activity for the year ended June 30, 2017, was as follows:

| | Balance June 30, 2016 | Additions | Retirements | Balance June 30, 2017 |
|--|--------------------------|----------------|-------------|--------------------------|
| Capital assets (Not Depreciated) | | | | |
| Land | \$ 627,945 | \$ - | \$ - | \$ 627,945 |
| Construction in progress | - | - | - | - |
| Total capital assets (not depreciated) | <u>627,945</u> | <u>-</u> | <u>-</u> | <u>627,945</u> |
| Capital assets (being depreciated) | | | | |
| Buildings and improvements | 50,352 | - | - | 50,352 |
| Equipment | 509,932 | - | - | 509,932 |
| Vehicles | 164,810 | 63,544 | - | 228,354 |
| Streets and roads | 1,819,437 | 87,367 | - | 1,906,804 |
| Infrastructures | 2,406,317 | - | - | 2,406,317 |
| Total capital assets (being depreciated) | <u>4,950,848</u> | <u>150,911</u> | <u>-</u> | <u>5,101,759</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 28,868 | 6,094 | - | 34,962 |
| Equipment | 505,658 | 1,144 | - | 506,802 |
| Vehicles | 112,680 | 13,167 | - | 125,847 |
| Streets and roads | 235,474 | 36,389 | - | 271,863 |
| Infrastructure | 367,200 | 48,126 | - | 415,326 |
| Total accumulated depreciation | <u>1,249,880</u> | <u>104,920</u> | <u>-</u> | <u>1,354,800</u> |
| Governmental activities capital assets, net | <u>\$ 4,328,913</u> | | | <u>\$ 4,374,904</u> |

Depreciation expense for capital assets was charged to functions as follows:

| | |
|-------------------------------------|-------------------|
| <u>Governmental-Type Activities</u> | |
| Public works | <u>\$ 104,920</u> |
| Total Governmental Activities | <u>\$ 104,920</u> |

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

5. CAPITAL ASSETS, *continued*

Business-type capital asset activity for the year ended June 30, 2017, was as follows:

| | Balance June 30, 2016 | Additions | Retirements | Balance June 30, 2017 |
|--|--------------------------|----------------|-------------|--------------------------|
| Capital assets (Not Depreciated) | | | | |
| Land | \$ 507,859 | \$ - | \$ - | \$ 507,859 |
| Construction in progress | 344,870 | 583,843 | - | 928,713 |
| Total capital assets (not depreciated) | 852,729 | 583,843 | - | 1,436,572 |
| Capital assets (being depreciated) | | | | |
| Infrastructure | 25,151,412 | - | - | 25,151,412 |
| Buildings and Improvements | 206,508 | - | - | 206,508 |
| Equipments | 1,009,637 | 80,831 | - | 1,090,468 |
| Vehicles | 91,385 | - | - | 91,385 |
| Total capital assets (being depreciated) | 26,458,942 | 80,831 | - | 26,539,773 |
| Less accumulated depreciation: | | | | |
| Infrastructure | 2,739,237 | 716,665 | - | 3,455,902 |
| Buildings and Improvements | 157,268 | 14,773 | - | 172,041 |
| Equipments | 941,476 | 8,864 | - | 950,340 |
| Vehicles | 91,385 | - | - | 91,385 |
| Total accumulated depreciation | 3,929,366 | 740,302 | - | 4,669,668 |
| Governmental activities capital assets, net | \$ 23,382,305 | | | \$ 23,306,677 |

Depreciation expense for capital assets was charged to functions as follows:

| <u>Business-Type Activities</u> | |
|---------------------------------------|-------------------|
| Water | \$ 208,516 |
| Sewer | 531,786 |
| Total Business-Type Activities | \$ 740,302 |

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2017:

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| Accounts payable | \$ 52,294 | \$ 297,456 | \$ 349,750 |
| Accrued payroll and related liabilities | 19,328 | - | 19,328 |
| Total | <u>\$ 71,622</u> | <u>\$ 297,456</u> | <u>\$ 369,078</u> |

These amounts resulted in the following concentrations in payables:

| | |
|-----------|-------|
| Vendors | 94.8% |
| Employees | 5.2% |

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or employee.

7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

| | Original Issue Amount | Balance July 1, 2016 | Additions | Retirements | Balance June 30, 2017 | Due Within One Year |
|--|--------------------------|-------------------------|-----------------|---------------------|--------------------------|------------------------|
| Governmental Activities: | | | | | | |
| Compensated absences | \$ - | \$ 26,144 | \$ 3,964 | \$ - | \$ 30,108 | \$ 3,011 |
| Total governmental activities | <u>\$ -</u> | <u>\$ 26,144</u> | <u>\$ 3,964</u> | <u>\$ -</u> | <u>\$ 30,108</u> | <u>\$ 3,011</u> |
| Business-type activities | | | | | | |
| Safe Drinking Water Loan | \$ 2,720,000 | \$ 1,836,000 | \$ - | \$ (136,000) | \$ 1,700,000 | \$ 136,000 |
| FMHA Special Assessment Bonds | 535,800 | 85,000 | - | (25,000) | 60,000 | 30,000 |
| State of California Water Resources Control Board | 400,000 | 6,282,845 | - | (164,710) | 6,118,135 | 168,334 |
| Total business-type activity debt | <u>3,655,800</u> | <u>8,203,845</u> | <u>-</u> | <u>(325,710)</u> | <u>7,878,135</u> | <u>334,334</u> |
| Compensated absences | - | 19,032 | 6,470 | - | 25,502 | - |
| Total business-type activities | <u>\$ -</u> | <u>\$ 3,317,687</u> | <u>\$ 6,470</u> | <u>\$ (325,710)</u> | <u>\$ 7,903,637</u> | <u>\$ 334,334</u> |

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

7. LONG-TERM LIABILITIES, continued

Governmental Activities

Compensated Absences

The City records employee absences, such as vacation, illness, and holidays, for which it is expected that employees will be paid as compensated absences. Compensated absences had a balance of \$55,611 at June 30, 2017, of that amount \$3,011 is expected to be paid within a year. The net changes of the compensated absences are allocated to the public safety department on the Statement of Activities.

Business-type Activities

Safe Drinking Water State Revolving Fund 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 loan was subsequently funded by the Safe Drinking Water State Revolving Fund. The proceeds from the loan were used to assist in financing construction of a project that 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, 2017, the balance of the note was \$2,108,000.

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.

State of California Water Resources Control Board

The City has obtained a loan from the California Department of Water Resources to finance an upgrade of the waste water treatment plant to comply with State waste water standards. The debt is required to be serviced through waste water system user charges. The maximum loan amount is \$6,980,359. Principal and interest are payable annually on October 31. The rate of interest is 2.20%. The annual principal and interest payments are \$302,933, and continue through the fiscal year 2044.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

7. LONG-TERM LIABILITIES, continued

Debt Service

Future debt service for Governmental Activities at June 30, 2017, is as follows for all debt except compensated absences and claims liabilities:

| Year Ending June 30, | Governmental Activities | | | | | |
|-------------------------|--------------------------|---------------------|----------------------------------|-----------------|--|---------------------|
| | Safe Drinking Water Loan | | FMHA Special Assessment Bonds | | State of California Water Resources Control Board | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | \$ 136,000 | \$ - | \$ 30,000 | \$ 3,000 | \$ 168,334 | \$ 134,599 |
| 2019 | 136,000 | - | 30,000 | 1,500 | 172,038 | 130,896 |
| 2020 | 136,000 | - | - | - | 175,823 | 127,111 |
| 2021 | 136,000 | - | - | - | 179,691 | 123,243 |
| 2022 | 136,000 | - | - | - | 183,644 | 119,289 |
| 2023 - 2027 | 680,000 | - | - | - | 980,629 | 534,038 |
| 2028 - 2032 | 340,000 | - | - | - | 1,093,350 | 421,317 |
| 2033 - 2037 | - | - | - | - | 1,219,028 | 295,639 |
| 2038 - 2042 | - | - | - | - | 1,359,153 | 155,514 |
| 2043 - 2047 | - | - | - | - | 586,444 | 19,423 |
| Total | \$ 1,700,000 | \$ - | \$ 60,000 | \$ 4,500 | \$ 6,118,134 | \$ 2,061,069 |
| Due within one year | \$ 136,000 | \$ - | \$ 30,000 | \$ 3,000 | \$ 168,334 | \$ 134,599 |
| Due after one year | 1,564,000 | - | 30,000 | 1,500 | 5,949,800 | 1,926,470 |
| Total | \$ 1,700,000 | \$ - | \$ 60,000 | \$ 4,500 | \$ 6,118,134 | \$ 2,061,069 |
| Year Ending June 30, | Total | | | | | |
| | Principal | Interest | | | | |
| 2018 | \$ 334,334 | \$ 137,599 | | | | |
| 2019 | 338,038 | 132,396 | | | | |
| 2020 | 311,823 | 127,111 | | | | |
| 2021 | 315,691 | 123,243 | | | | |
| 2022 | 319,644 | 119,289 | | | | |
| 2023 - 2027 | 1,660,629 | 534,038 | | | | |
| 2028 - 2032 | 1,433,350 | 421,317 | | | | |
| 2033 - 2037 | 1,219,028 | 295,639 | | | | |
| 2038 - 2042 | 1,359,153 | 155,514 | | | | |
| 2043 - 2047 | 586,445 | 19,423 | | | | |
| Total | \$ 7,878,135 | \$ 2,065,569 | | | | |
| Due within one year | \$ 334,334 | \$ 137,599 | | | | |
| Due after one year | 7,543,801 | 1,927,970 | | | | |
| Total | \$ 7,878,135 | \$ 2,065,569 | | | | |

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

8. NET POSITION/ FUND BALANCES

Net position

| | Governmental Activities | Business-type Activities | Total |
|----------------------------------|----------------------------|-----------------------------|----------------------|
| Net investment in capital assets | \$ 4,374,904 | \$ 15,762,876 | \$ 20,137,780 |
| Restricted | 443,869 | - | 443,869 |
| Unrestricted | 2,649,019 | 2,690,079 | 5,339,098 |
| Total | <u>\$ 7,467,792</u> | <u>\$ 18,452,955</u> | <u>\$ 25,920,747</u> |

- Restricted balances are for the same purposes as fund balance restrictions because external restriction requirements are the same. See descriptions of the restrictions below.

Fund Balance

Nonspendable, Restricted and Committed fund balance consisted of the following at June 30, 2017:

| | |
|---------------------------|-------------------|
| Nonspendable: | |
| Prepaid Items | \$ 123,332 |
| Total Nonspendable | <u>\$ 123,332</u> |
| Restricted: | |
| Governmental Funds: | |
| CDBG | \$ 244,210 |
| Gas Tax | 199,659 |
| Total Restricted | <u>\$ 443,869</u> |
| Committed | |
| Encumbrance | \$ 49,794 |
| Total Committed | <u>\$ 49,794</u> |

The following describe the purpose of each nonspendable, restricted, and committed category used by the City:

Nonspendable

- **Prepaid Items** – represents nonspendable amounts classified as prepaid items.

Restricted

- **CDBG**– represents amounts restricted for the City’s CDBG housing activities as these programs are supported by specific grants requiring the restriction.
- **Gas Tax** – represents amounts restricted for street maintenance purposes as defined in Sections 2105, 2106, 2107 and 2107.5 of the Streets and Highway Code.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

8. NET POSITION/ FUND BALANCES, continued

Committed

- **Encumbrance** – represents amounts set aside for a planned or obligated expenditure.

Fund Balance Deficits

Deficit fund balances consisted of the following:

| | <u>As of</u> <u>June 30, 2017</u> |
|--|--------------------------------------|
| Nonmajor Special Revenue Funds: | |
| STIP | \$ 3,302 |
| Total Nonmajor Funds | <u>3,302</u> |
| Total Fund Balance Deficits | <u>\$ 3,302</u> |

The above deficit fund balances have occurred due to the spending of funds prior to the receipt of revenues (cost reimbursements). The Fund balances will be restored in the near future as revenues are received.

Excess of Expenditures and Transfers over Appropriations:

Expenditures and transfers exceeded appropriations for the year ended June 30, 2017, for the following funds:

| <u>Fund</u> | <u>Final</u> <u>Appropriations</u> | <u>Expenditures and</u> <u>Transfers</u> | <u>Excess</u> |
|-------------------------------|---------------------------------------|---|---------------|
| <u>Nonmajor Funds</u> | | | |
| <u>Special Revenue Funds:</u> | | | |
| STIP | \$ - | \$ 3,461 | \$ (3,461) |

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

9. INTERFUND TRANSACTIONS

Due to and from balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Due to and due from other funds consisted of the following as of June 30, 2017:

| | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|----------------------------------|---------------------------------|-------------------------------|
| <u>Governmental Funds</u> | | |
| Major Funds: | | |
| General Fund | \$ 28,105 | \$ - |
| Total Major Funds | <u>28,105</u> | <u>-</u> |
| Nonmajor Funds: | | |
| ISTEA | - | 19,842 |
| SLESF | - | 1,579 |
| Measure Z | - | 5,692 |
| STIP | - | 992 |
| Total Nonmajor Funds | <u>-</u> | <u>28,105</u> |
| Total | <u>\$ 28,105</u> | <u>\$ 28,105</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers consisted of the following at June 30, 2017:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|----------------------------------|---------------------|----------------------|
| <u>Governmental Funds</u> | | |
| Major Funds: | | |
| General Fund | \$ - | \$ 10,055 |
| Total Major Funds | <u>-</u> | <u>10,055</u> |
| Nonmajor Funds: | | |
| Special Revenue Funds | | |
| SLESF | 4,186 | - |
| Building | 5,869 | - |
| Total Nonmajor Funds | <u>10,055</u> | <u>-</u> |
| Total Governmental Funds | <u>10,055</u> | <u>10,055</u> |
| Total | <u>\$ 10,055</u> | <u>\$ 10,055</u> |

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

10. 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, SCORE becomes responsible for payment of the excess claim.

Payments for insurance claims are recorded as expenditures in the funds in which the liabilities were incurred. In accordance with GASB Statement No. 10, if the third party administrator, SCORE, does not insure the loss occurrence then the City shall accrue a loss, if probable and reasonably estimable. As of June 30, 2017, 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 as 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.

11. JOINT POWERS AGREEMENTS

The City is a member of various joint powers authorities, which provide goods or services to the City and other authority members. Under the criteria established by GASB Statement No. 14, the City does not have sufficient authority, influence or accountability over these entities to incorporate them in this annual report. Additionally, the City has determined that it has no ongoing financial interest in or responsibility for any of these organizations as defined by GASB Statement No. 14. The names and general functions of these joint powers are as follows:

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.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

11. JOINT POWERS AGREEMENTS, CONTINUED

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, 2017, the City paid HTA \$40,646. 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.

Upon commencement 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 of HMRA, and the current share of the City of Rio Dell is 1.9 percent, based on population. During the year ended June 30, 2017, the City paid HMRA \$717. At termination of the agreement, all surplus monies will be returned to the participants in proportion of the amounts received by HMRA; property shall be divided in a manner agreed upon by the participants. Complete financial statements of HMRA are on file at the offices of the City of Eureka at 531 K Street, Eureka, California 95501.

Redwood Region Economic Development Commission

Redwood Region Economic Development Commission (RREDC) was established on November 1, 1977, under a Joint Exercise of Powers Agreement among the nineteen public agencies within Humboldt County, including the City of Rio Dell. RREDC is a separate public entity created to aid, assist, and coordinate the formulation, administration, and 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.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

12. DEFERRED COMPENSATION PLAN

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit employees to defer a portion of their salary until future years. Participation in the plans is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. As explained previously, the City has adopted the provisions of GASB Statement No. 32 and, therefore, assets and liabilities of these plans have been excluded from the accompanying financial statements. For the fiscal year ended June 30, 2017, the City made contributions totaling \$132,754 to the plan.

13. COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants and Allocations

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Commitments

The City had no significant unexpended contractual commitments as of June 30, 2017.

14. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces Statements No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

15. NEW ACCOUNTING PRONOUNCEMENTS, CONTINUED

The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2017. The City will implement this Statement in fiscal year ending June 30, 2018.

The GASB has issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", for OPEB. Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", establishes new accounting and financial reporting requirements for OPEB plans. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2018. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2018.

The GASB has issued Statement No. 77, "*Tax Abatement Disclosures*". This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2018.

The GASB has issued Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*." The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2016.

City of Rio Dell, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

15. NEW ACCOUNTING PRONOUNCEMENTS, CONTINUED

The GASB has issued Statement No. 80, "*Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14.*" The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2017.

The GASB has issued Statement No. 81, "*Irrevocable Split-Interest Agreements.*" The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2017.

The GASB has issued Statement No. 82, "*Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73.*" The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions will take effect for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NON-MAJOR SPECIAL REVENUE FUNDS

| Fund | Description |
|-------------|--|
| Gas Tax | Accounts for funds received and expended for street maintenance purposes as defined in Sections 2105, 2106, 2107, and 2107.5 of the Streets and Highway Code. |
| TDA | Accounts for funds received and expended for transit, street, pedestrian and bike purposes in Accordance with the Transportation Development Act. |
| ISTEA | Accounts for funds received and expended in accordance with the Intermodal Surface Transportation Efficiency Act. |
| Solid Waste | Accounts for the City's portion of the Humboldt Waste Management Authority's tipping fees. |
| SLESF | Accounts for funds received to be used for public safety purposes. |
| Measure Z | Accounts for funds received and expended for Measure Z. |
| STIP | Accounts for funds received and expended in accordance with the State Transportation Improvement Program, a multi-year capital improvement program of transportation projects on and off the State Highway System. |
| Building | Accounts for funds received and expended for building maintenance purposes. |
| Recycling | Accounts for funds received and expended for recycling purposes. |

City of Rio Dell, California
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

| | Gas Tax | TDA | ISTEA | Solid Waste |
|--|-------------------|------------------|------------------|------------------|
| ASSETS | | | | |
| Cash and investments | \$ 193,327 | \$ 45,446 | \$ - | \$ 39,127 |
| Receivables: | | | | |
| Other receivable | 7,255 | - | 22,358 | 4,836 |
| Total assets | \$ 200,582 | \$ 45,446 | \$ 22,358 | \$ 43,963 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 923 | \$ 277 | \$ 190 | \$ 2,019 |
| Due to other funds | - | - | 19,842 | - |
| Total liabilities: | 923 | 277 | 20,032 | 2,019 |
| Fund Balances: | | | | |
| Restricted | 199,659 | - | - | - |
| Assigned | - | 45,169 | 2,326 | 41,944 |
| Unassigned (deficit) | - | - | - | - |
| Total fund balances | 199,659 | 45,169 | 2,326 | 41,944 |
| Total liabilities and fund balances | \$ 200,582 | \$ 45,446 | \$ 22,358 | \$ 43,963 |

| <u>SLESF</u> | <u>Measure Z</u> | <u>STIP</u> | <u>Building</u> | <u>Recycling</u> | <u>Totals</u> |
|------------------|------------------|----------------|------------------|------------------|-------------------|
| \$ - | \$ - | \$ - | \$ 15,387 | \$ 14,455 | \$ 307,742 |
| <u>23,376</u> | <u>5,721</u> | <u>-</u> | <u>-</u> | <u>5,000</u> | <u>68,546</u> |
| <u>\$ 23,376</u> | <u>\$ 5,721</u> | <u>\$ -</u> | <u>\$ 15,387</u> | <u>\$ 19,455</u> | <u>\$ 376,288</u> |
| | | | | | |
| \$ 878 | \$ - | \$ 2,310 | \$ 260 | \$ 5,000 | \$ 11,857 |
| <u>1,579</u> | <u>5,692</u> | <u>992</u> | <u>-</u> | <u>-</u> | <u>28,105</u> |
| <u>2,457</u> | <u>5,692</u> | <u>3,302</u> | <u>260</u> | <u>5,000</u> | <u>39,962</u> |
| | | | | | |
| - | - | - | - | - | 199,659 |
| <u>20,919</u> | <u>29</u> | <u>-</u> | <u>15,127</u> | <u>14,455</u> | <u>139,969</u> |
| <u>-</u> | <u>-</u> | <u>(3,302)</u> | <u>-</u> | <u>-</u> | <u>(3,302)</u> |
| <u>20,919</u> | <u>29</u> | <u>(3,302)</u> | <u>15,127</u> | <u>14,455</u> | <u>336,326</u> |
| <u>\$ 23,376</u> | <u>\$ 5,721</u> | <u>\$ -</u> | <u>\$ 15,387</u> | <u>\$ 19,455</u> | <u>\$ 376,288</u> |

City of Rio Dell, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2017

| | Gas Tax | TDA | ISTEA | Solid Waste |
|--|-----------------|----------------|---------------|---------------|
| REVENUES: | | | | |
| Gas tax | \$ 79,588 | \$ - | \$ - | \$ - |
| Intergovernmental | - | 111,856 | 22,358 | - |
| Licenses, permits, and franchise taxes | - | - | - | 10,359 |
| Interest and use of property | 2 | - | - | 1 |
| Miscellaneous | 1,630 | 629 | 308 | 157 |
| Total revenues | 81,220 | 112,485 | 22,666 | 10,517 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 21,862 | 21,831 | 5 | - |
| Public safety - Police | - | - | - | - |
| Planning and public works | 66,891 | 69,677 | 22,353 | - |
| Building | 3,067 | 2,074 | - | - |
| Recycling | - | - | - | 10,211 |
| Capital outlay | 15,196 | - | - | - |
| Total expenditures | 107,016 | 93,582 | 22,358 | 10,211 |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | (25,796) | 18,903 | 308 | 306 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources and uses | - | - | - | - |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) | | | | |
| EXPENDITURES AND OTHER FINANCING (USES) | (25,796) | 18,903 | 308 | 306 |
| FUND BALANCES (DEFICITS): | | | | |
| Beginning of year | 225,455 | 26,266 | 2,018 | 41,638 |
| End of year | \$ 199,659 | \$ 45,169 | \$ 2,326 | \$ 41,944 |

| <u>SLESF</u> | <u>Measure Z</u> | <u>STIP</u> | <u>Building</u> | <u>Recycling</u> | <u>Totals</u> |
|------------------|------------------|-------------------|------------------|------------------|-------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 79,588 |
| 97,058 | 29,402 | 1,151 | - | 10,000 | 271,825 |
| - | - | - | 41,351 | - | 51,710 |
| - | - | - | - | - | 3 |
| 544 | - | - | 390 | - | 3,658 |
| <u>97,602</u> | <u>29,402</u> | <u>1,151</u> | <u>41,741</u> | <u>10,000</u> | <u>406,784</u> |
| - | - | - | - | - | 43,698 |
| 100,119 | 29,373 | - | - | - | 129,492 |
| - | - | 2,485 | - | - | 161,406 |
| - | - | - | 51,946 | - | 57,087 |
| - | - | - | - | 5,000 | 15,211 |
| 17,744 | - | 976 | - | - | 33,916 |
| <u>117,863</u> | <u>29,373</u> | <u>3,461</u> | <u>51,946</u> | <u>5,000</u> | <u>440,810</u> |
| <u>(20,261)</u> | <u>29</u> | <u>(2,310)</u> | <u>(10,205)</u> | <u>5,000</u> | <u>(34,026)</u> |
| 4,186 | - | - | 5,869 | - | 10,055 |
| - | - | - | - | - | - |
| 4,186 | - | - | 5,869 | - | 10,055 |
| (16,075) | 29 | (2,310) | (4,336) | 5,000 | (23,971) |
| <u>36,994</u> | <u>-</u> | <u>(992)</u> | <u>19,463</u> | <u>9,455</u> | <u>360,297</u> |
| <u>\$ 20,919</u> | <u>\$ 29</u> | <u>\$ (3,302)</u> | <u>\$ 15,127</u> | <u>\$ 14,455</u> | <u>\$ 336,326</u> |

City of Rio Dell, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Gas Tax Special Revenue Fund

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance w/Final Positive (Negative) |
|------------------------------------|------------------|-----------------|-----------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Gas tax | \$ 74,339 | \$ 74,339 | \$ 79,588 | \$ 5,249 |
| Interest and use of property | - | - | 2 | 2 |
| Miscellaneous | - | - | 1,630 | 1,630 |
| Total revenues | 74,339 | 74,339 | 81,220 | 6,881 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 33,817 | 34,468 | 21,862 | 12,606 |
| Planning and public works | 99,641 | 99,161 | 66,891 | 32,270 |
| Building | 2,450 | 2,455 | 3,067 | (612) |
| Capital outlay | 15,000 | 15,000 | 15,196 | (196) |
| Total expenditures | 150,908 | 151,084 | 107,016 | 44,068 |
| REVENUES OVER (UNDER) | (76,569) | (76,745) | (25,796) | 50,949 |
| EXPENDITURES | | | | |
| Net change in fund balances | (76,569) | (76,745) | (25,796) | 50,949 |
| FUND BALANCES (DEFICIT): | | | | |
| Beginning of year | 225,455 | 225,455 | 225,455 | - |
| End of year | \$ 148,886 | \$ 148,710 | \$ 199,659 | \$ 50,949 |

City of Rio Dell, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

TDA Special Revenue Fund

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance w/Final Positive (Negative) |
|------------------------------------|------------------|----------------|----------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 111,600 | \$ 111,600 | \$ 111,856 | 256 |
| Miscellaneous | - | - | 629 | 629 |
| Total revenues | 111,600 | 111,600 | 112,485 | 885 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 33,817 | 33,802 | 21,831 | 11,971 |
| Planning and public works | 76,649 | 76,649 | 69,677 | 6,972 |
| Building | 2,450 | 2,452 | 2,074 | (67,225) |
| Total expenditures | 112,916 | 112,903 | 93,582 | (50,356) |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | (1,316) | (1,303) | 18,903 | 20,206 |
| Net change in fund balances | (1,316) | (1,303) | 18,903 | 20,206 |
| FUND BALANCES: | | | | |
| Beginning of year | 26,266 | 26,266 | 26,266 | - |
| End of year | \$ 24,950 | \$ 24,963 | \$ 45,169 | \$ 20,206 |

City of Rio Dell, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

ISTEA Special Revenue Fund

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance w/Final Positive (Negative) |
|------------------------------------|------------------|---------------|---------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 22,000 | \$ 22,000 | \$ 22,358 | \$ 358 |
| Miscellaneous | - | - | 308 | 308 |
| Total revenues | 22,000 | 22,000 | 22,666 | 666 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | 5 | (5) |
| Planning and public works | 20,813 | 22,382 | 22,353 | 29 |
| Total expenditures | 20,813 | 22,382 | 22,358 | 24 |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | 1,187 | (382) | 308 | 690 |
| Net change in fund balances | 1,187 | (382) | 308 | 690 |
| FUND BALANCES (DEFICIT): | | | | |
| Beginning of year | 2,018 | 2,018 | 2,018 | - |
| End of year | \$ 3,205 | \$ 1,636 | \$ 2,326 | \$ 690 |

City of Rio Dell, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Solid Waste Special Revenue Fund

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance w/Final Positive (Negative) |
|--|------------------|------------------|------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Licenses, permits, and franchise taxes | \$ 9,000 | \$ 9,000 | \$ 10,359 | \$ 1,359 |
| Use of money and property | - | - | 1 | 1 |
| Miscellaneous | - | - | 157 | 157 |
| Total revenues | <u>9,000</u> | <u>9,000</u> | <u>10,517</u> | <u>1,517</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Recycling | <u>10,973</u> | <u>10,973</u> | <u>10,211</u> | <u>762</u> |
| Total expenditures | <u>10,973</u> | <u>10,973</u> | <u>10,211</u> | <u>762</u> |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | <u>(1,973)</u> | <u>(1,973)</u> | <u>306</u> | <u>2,279</u> |
| Net change in fund balances | <u>(1,973)</u> | <u>(1,973)</u> | <u>306</u> | <u>2,279</u> |
| FUND BALANCES (DEFICIT): | | | | |
| Beginning of year | <u>41,638</u> | <u>41,638</u> | <u>41,638</u> | <u>-</u> |
| End of year | <u>\$ 39,665</u> | <u>\$ 39,665</u> | <u>\$ 41,944</u> | <u>\$ 2,279</u> |

City of Rio Dell, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

SLESF Special Revenue Fund

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance w/Final Positive (Negative) |
|---|------------------|------------------|------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 100,000 | \$ 100,000 | \$ 97,058 | \$ (2,942) |
| Miscellaneous | - | - | 544 | 544 |
| Total revenues | <u>100,000</u> | <u>100,000</u> | <u>97,602</u> | <u>(2,398)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety - Police | 89,157 | 103,778 | 100,119 | 3,659 |
| Capital outlay | - | 16,886 | 17,744 | (858) |
| Total expenditures | <u>89,157</u> | <u>120,664</u> | <u>117,863</u> | <u>2,801</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>10,843</u> | <u>(20,664)</u> | <u>(20,261)</u> | <u>403</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 4,186 | 4,186 |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>4,186</u> | <u>4,186</u> |
| Net change in fund balances | <u>10,843</u> | <u>(20,664)</u> | <u>(16,075)</u> | <u>4,589</u> |
| FUND BALANCES (DEFICIT): | | | | |
| Beginning of year | <u>36,994</u> | <u>36,994</u> | <u>36,994</u> | <u>-</u> |
| End of year | <u>\$ 47,837</u> | <u>\$ 16,330</u> | <u>\$ 20,919</u> | <u>\$ 4,589</u> |

City of Rio Dell, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Measure Z Special Revenue Fund

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance w/Final Positive (Negative) |
|------------------------------------|------------------|----------|-----------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ - | 35,569 | \$ 29,402 | \$ (6,167) |
| Total revenues | - | 35,569 | 29,402 | (6,167) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety - Police | - | 29,401 | 29,373 | 28 |
| Total expenditures | - | 29,401 | 29,373 | 28 |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | - | 6,168 | 29 | (6,139) |
| Net change in fund balances | - | 6,168 | 29 | (6,139) |
| FUND BALANCES (DEFICIT): | | | | |
| Beginning of year | - | - | - | - |
| End of year | \$ - | \$ 6,168 | \$ 29 | \$ (6,139) |

City of Rio Dell, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

STIP Special Revenue Fund

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance w/Final Positive (Negative) |
|------------------------------------|------------------|-----------------|-------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ - | \$ - | \$ 1,151 | \$ 1,151 |
| Total revenues | <u>-</u> | <u>-</u> | <u>1,151</u> | <u>1,151</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Planning and public works | - | - | 2,485 | (2,485) |
| Capital outlay | - | - | 976 | (976) |
| Total expenditures | <u>-</u> | <u>-</u> | <u>3,461</u> | <u>(3,461)</u> |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | <u>-</u> | <u>-</u> | <u>(2,310)</u> | <u>(2,310)</u> |
| Net change in fund balances | - | - | (2,310) | (2,310) |
| FUND BALANCES (DEFICIT): | | | | |
| Beginning of year | (992) | (992) | (992) | - |
| End of year | <u>\$ (992)</u> | <u>\$ (992)</u> | <u>\$ (3,302)</u> | <u>\$ (2,310)</u> |

City of Rio Dell, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Building Special Revenue Fund

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance w/Final Positive (Negative) |
|---|------------------|-----------------|-----------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Licenses, permits and franchise fees | \$ 32,901 | \$ 32,901 | \$ 41,351 | \$ 8,450 |
| Miscellaneous | - | - | 390 | 390 |
| Total revenues | 32,901 | 32,901 | 41,741 | 8,840 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Building | 57,468 | 58,466 | 51,946 | 6,520 |
| Total expenditures | 57,468 | 58,466 | 51,946 | 6,520 |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | (24,567) | (25,565) | (10,205) | 15,360 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 5,869 | 5,869 |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | - | 5,869 | 5,869 |
| Net change in fund balances | (24,567) | (25,565) | (4,336) | 21,229 |
| FUND BALANCES (DEFICIT): | | | | |
| Beginning of year | 19,463 | 19,463 | 19,463 | - |
| End of year | \$ (5,104) | \$ (6,102) | \$ 15,127 | \$ 21,229 |

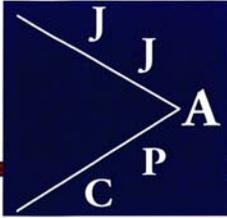
City of Rio Dell, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Recycling Special Revenue Fund

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance w/Final Positive (Negative) |
|------------------------------------|------------------|-----------------|------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 5,000 | \$ 5,000 | \$ 10,000 | \$ 5,000 |
| Total revenues | <u>5,000</u> | <u>5,000</u> | <u>10,000</u> | <u>5,000</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Recycling | <u>5,000</u> | <u>5,000</u> | <u>5,000</u> | <u>-</u> |
| Total expenditures | <u>5,000</u> | <u>5,000</u> | <u>5,000</u> | <u>-</u> |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | <u>-</u> | <u>-</u> | <u>5,000</u> | <u>5,000</u> |
| Net change in fund balances | <u>-</u> | <u>-</u> | <u>5,000</u> | <u>5,000</u> |
| FUND BALANCES (DEFICIT): | | | | |
| Beginning of year | <u>9,455</u> | <u>9,455</u> | <u>9,455</u> | <u>-</u> |
| End of year | <u>\$ 9,455</u> | <u>\$ 9,455</u> | <u>\$ 14,455</u> | <u>\$ 5,000</u> |



JJACPA, Inc.

A Professional Accounting Services Corp.

**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**

Independent Auditor's Report

The Honorable City Council
City of Rio Dell
Rio Dell, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City of Rio Dell, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 6, 2017

JJACPA, Inc.

JJACPA, Inc.
Dublin, CA