

April 24, 2008

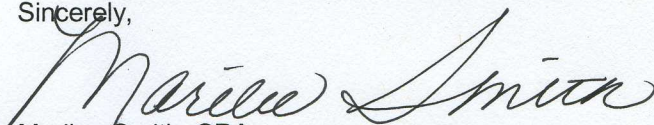
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Sacramento Valley Basinwide Air Pollution Control Council
C/O Amy Gwinnup
462 Mosburg Loop
Yuba City, CA 95991

Enclosed are draft copies of the Sacramento Valley Basinwide Air Pollution Control Council's Annual Financial Report and Management Report for the year ended June 30, 2007. We have included the Management Representation Letter. Please copy onto the Council's letterhead, sign, and return to our office. We have also included the proposed audit adjustments. As soon as we have your response, the Management Discussion and Analysis Report, and the signed Management Representation Letter, we will run the reports in final.

Thanks for your help in completing the audit.

Sincerely,


Marilee Smith, CPA
Partner

April 8, 2008

Smith & Newell
Certified Public Accountants
1425 Butte House Road, Suite B
Yuba City, California 95993

We are providing this letter in connection with your audit of the financial statements of the Sacramento Valley Basinwide Air Pollution Control Council as of June 30, 2007, and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Council and the respective changes in financial position thereof in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of April 8, 2008, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all –
 - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Minutes of the meetings of the Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
5. We believe the effects of any uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
11. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
12. The Council has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
13. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the Council is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
14. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
15. There are no –
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d. Reservations or designation of fund equity that were not properly authorized and approved.

16. As part of your audit, you prepared the draft financial statements and related notes (and schedule of expenditures of federal awards). We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes (and schedule of expenditures of federal awards).
17. The Council has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
18. The Council has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
19. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
20. The financial statements properly classify all funds and activities.
21. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
22. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
23. Provisions for uncollectible receivables have been properly identified and recorded.
24. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
25. Revenues are appropriately classified in the statements of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
26. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
27. Deposits and investment securities are properly classified as to risk and investments are properly valued.
28. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
29. Required supplementary information (RSI) is measured and presented within prescribed guidelines.

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

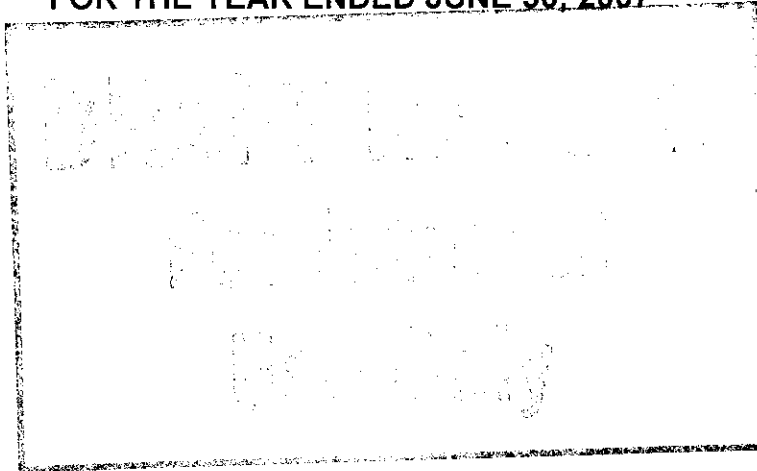
Signed: _____

Signed: _____

Title: _____

Title: _____

**SACRAMENTO VALLEY BASINWIDE
AIR POLLUTION CONTROL COUNCIL
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2007**



**SMITH & NEWELL
CERTIFIED PUBLIC ACCOUNTANTS
1425 BUTTE HOUSE ROAD, SUITE B
YUBA CITY, CALIFORNIA 95993**

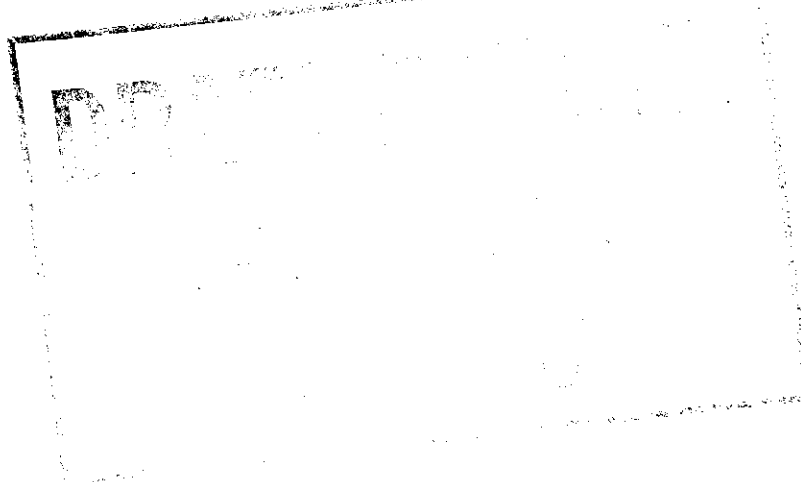
**SACRAMENTO VALLEY BASINWIDE
AIR POLLUTION CONTROL COUNCIL
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

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 1-2

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

To the Board of Directors
Sacramento Valley Basinwide Air Pollution
Yuba City, California

We have audited the accompanying financial statements of the proprietary fund of Sacramento Valley Basinwide Air Pollution, Yuba City, California (Council), as of and for the year ended June 30, 2007, which collectively comprise the Council's basic financial statements and have issued our report thereon dated April 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures 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 Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

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

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

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

Compliance and Other Matters

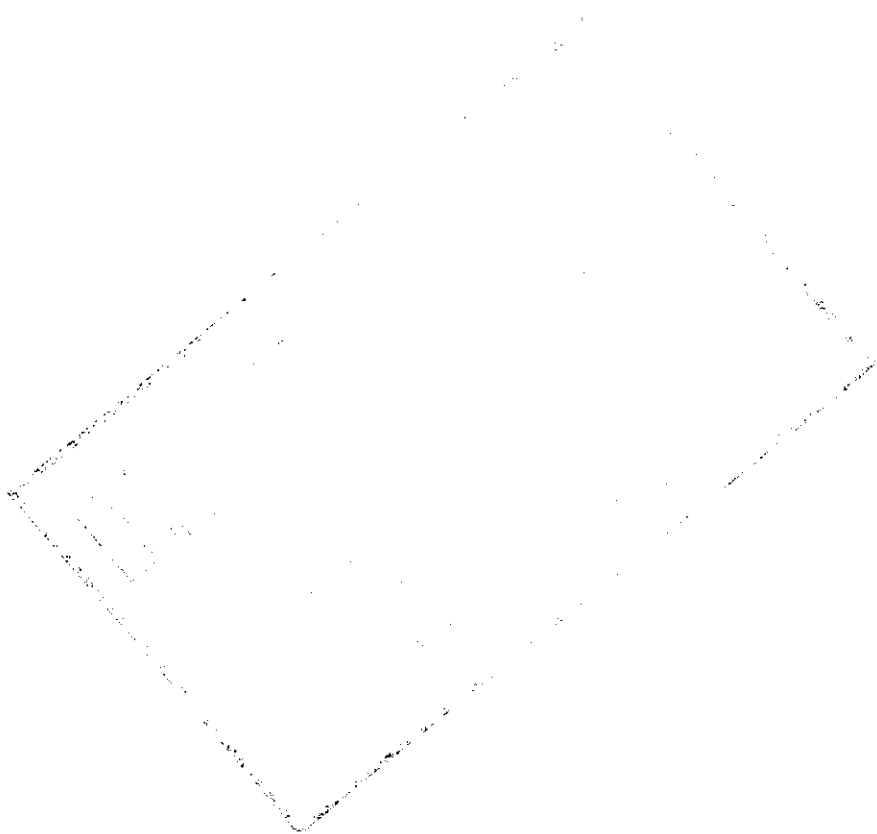
As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

We noted certain matters that we reported to management of the Council in the accompanying Schedule of Findings and Recommendations.

To the Board of Directors
Sacramento Valley Basinwide Air Pollution
Yuba City, California

This report is intended solely for the information and use of management, others within the organization, the Board of Directors and the Council's regulatory agencies and is not intended and should not be used by anyone other than these specified parties.

Smith & Newell, CPA's
Yuba City, California
April 8, 2008



**SACRAMENTO VALLEY BASINWIDE
AIR POLLUTION CONTROL COUNCIL
MANAGEMENT REPORT
REQUIRED COMMUNICATION
FOR THE YEAR ENDED JUNE 30, 2007**

The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit we considered the internal control of Sacramento Valley Basinwide Air Pollution Council. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Sacramento Valley Basinwide Air Pollution Council's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Council are described in Note 1 of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Council during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correcting of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Council's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, either individually or in the aggregate, indicate matters that could have a significant effect on the Council's financial reporting process.

Disagreements with Management

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

**SACRAMENTO VALLEY BASINWIDE
AIR POLLUTION CONTROL COUNCIL
MANAGEMENT REPORT
REQUIRED COMMUNICATION
FOR THE YEAR ENDED JUNE 30, 2007**

Consultations with Other Independent Auditors

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

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

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

**SACRAMENTO VALLEY BASINWIDE
AIR POLLUTION CONTROL COUNCIL
MANAGEMENT REPORT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

07-01 STATEMENT ON AUDITING STANDARDS NO. 112

Condition

This standard provides guidance on communicating internal control matters and revises certain terminology. Of particular importance, the new standard and its interpretive guidance emphasize that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation of the financial statements, including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles. The Council's external auditor cannot be a part of the internal controls including controls over the preparation of the financial statements. Adequate controls over preparation of the financial statements when the Council does not prepare their own financial statements could include:

- The Council has experienced staff capable of understanding the financial statements and competently reviewing them for errors or omissions.
- The Council personnel review the financial statements groupings and supporting schedules.
- The Council personnel complete a disclosure checklist to ensure all disclosures have been made and the financial statements are complete.

Cause

New auditing standards specifically require the Council to assume increased responsibility for the preparation of the audited financial statements

Criteria

Statement on Auditing Standards No. 112 provides specific guidance for communicating weaknesses in internal control, including weaknesses in controls regarding preparation of the financial statements when the Council does not prepare their own financial statements.

Effect of Condition

Inability to demonstrate adequate controls in this area could result in communication of a significant deficiency or material weakness.

Recommendation

We recommend that the Council take all steps necessary to ensure that staff is in compliance with Statement on Auditing Standards No. 112 requirements.

07-02 DEFICIENCIES IN CONTROL STRUCTURE DESIGN

Condition

Because of limited office staff, there is an absence of appropriate segregation of duties consistent with control objectives as well as an absence of appropriate review and approval of transactions and accounting entries.

Cause

The Council has limited staff.

Criteria

Good internal control requires that adequate controls be incorporated in the internal control structure.

**SACRAMENTO VALLEY BASINWIDE
AIR POLLUTION CONTROL COUNCIL
MANAGEMENT REPORT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

07-02 DEFICIENCIES IN CONTROL STRUCTURE DESIGN (CONTINUED)

Effect of Condition

The Council's internal control procedures allow one person to receive all cash receipts and make bank deposits.

Recommendation

We recommend that continued effort be made to incorporate good internal control policies into the Council's operating procedures.

07-03 DECLINING NET ASSETS

Condition

We noted that net assets of the Council have consistently declined each year since 2003. At June 30, 2003, net assets were \$44,165, and at June 30, 2007, net assets were \$9,142.

Cause

The Council has had expenditures in excess of revenues for each of the last five years.

Criteria

In order to continue operations the Council must maintain revenue sources adequate to cover operating costs.

Effect of Condition

The Council's net assets have declined in each of the last five years.

Recommendation

We recommend that the Council evaluate options to maintain revenue sources adequate to cover operating costs.

**SACRAMENTO VALLEY BASINWIDE
AIR POLLUTION CONTROL COUNCIL
MANAGEMENT REPORT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

Recommendation	Status/Comment
BANK RECONCILIATIONS	
We recommend that the bank accounts be reconciled on a monthly basis and that reconciliations be reviewed for accuracy.	Implemented

**SACRAMENTO VALLEY BASINWIDE
AIR POLLUTION CONTROL COUNCIL
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007**



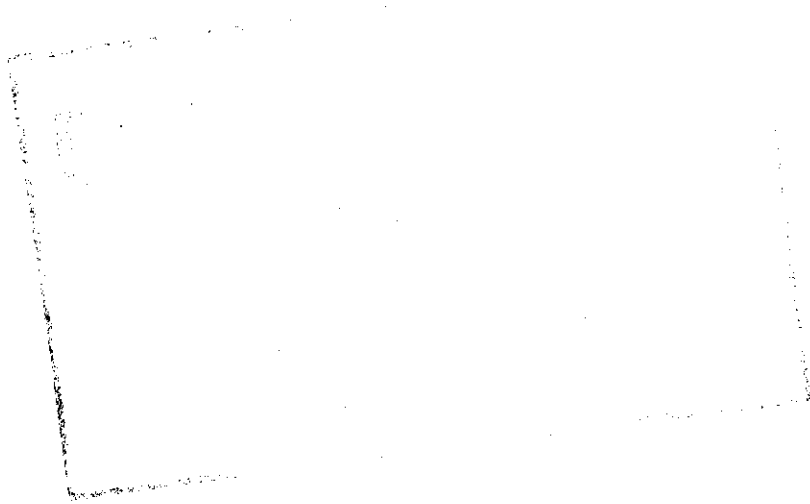
**SMITH AND NEWELL
CERTIFIED PUBLIC ACCOUNTANTS
1425 BUTTE HOUSE ROAD, SUITE B
YUBA CITY, CALIFORNIA 95993**

**SACRAMENTO VALLEY BASINWIDE
AIR POLLUTION CONTROL COUNCIL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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INTRODUCTORY SECTION



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- **Members of the Board of Directors**

**SACRAMENTO VALLEY BASINWIDE
AIR POLLUTION CONTROL COUNCIL
BOARD OF DIRECTORS
FOR THE YEAR ENDED JUNE 30, 2007**

Curt Josiassen	Chairman
Gary Evans	Member
Keith Hansen	Member
Kent Nakata	Member
Glenn Hawes	Member
Greg Avilla	Member
Duane Chamberlain	Member
John Nicoletti	Member
John Amaro	Member
Don Nottoli	Member

FINANCIAL SECTION

-
- **Independent Auditor's Report**
 - **Management's Discussion and Analysis**
 - **Basic Financial Statements**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sacramento Valley Basinwide Air Pollution Control Council
Yuba City, California

We have audited the accompanying financial statements of the proprietary fund of Sacramento Valley Basinwide Air Pollution Control Council, Yuba City, California (Council) as of and for the year ended June 30, 2007, which collectively comprise the Council's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Council's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

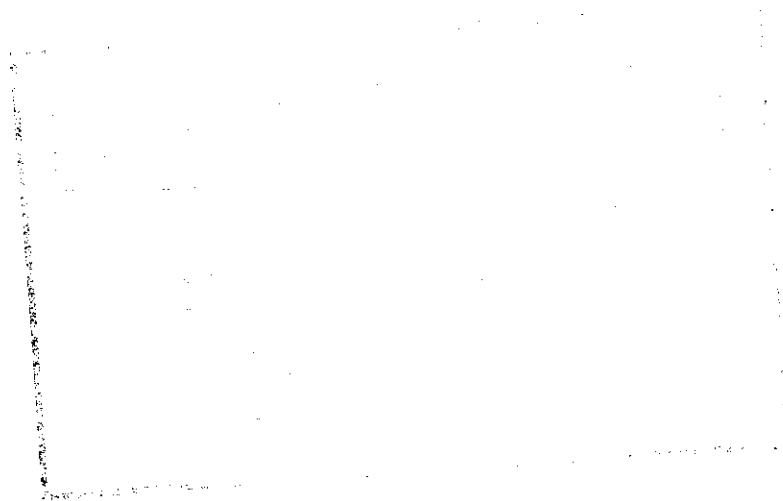
In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the Council as of June 30, 2007, and the respective changes in the financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated April 9, 2008, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The accompanying Required Supplementary Information, such as the Management's Discussion and Analysis as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Smith & Newell, CPA's
Yuba City, California
April 9, 2008



MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Sacramento Valley Basinwide Air Pollution Control Council (Council) was authorized pursuant to California Health and Safety Code Section (HSC) 40900 and the 1986 Joint Powers Agreement. The Council's mission is to carry out activities pursuant to State law and the California Code of Regulations (reference HSC 41865 and 41866; California Code of Regulations 80100 et. seq.). As Secretary of the Council, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements comprise two components: 1) financial statements, and 2) notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Basic Financial Statements. The *financial statements* are designed to provide readers with a broad overview of the Council's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Council's assets and liabilities, with the difference between the two reported as *net assets*.

The *statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the Council's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Notes to the Basic Financial Statements. The notes to the basic financial statements can be found on pages 7 to 9 of this report.

The Council's net assets decreased overall by approximately 36% (\$21,308, compared to \$33,357) during the current fiscal year.

Council's Financial Analysis

As noted earlier, the Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

For the year ended June 30, 2006, the Council reported an ending net assets total of \$21,916 a decrease from the prior year of \$33,357. This decrease represents the amount of expenses in excess of revenues for the year ended June 30, 2006.

Sacramento Valley Basinwide Air Pollution Control Comparison

	FY 2005/06	FY 2004/05
Beginning Net Assets	<u>\$33,357</u>	<u>\$37,827</u>
Total revenue	\$58,025	\$58,124
Total expenditures	<u>\$70,074</u>	<u>\$62,594</u>
Excess of revenue over (under) Expenses	<u>(12,049)</u>	<u>(4,470)</u>
Ending Net Assets	<u>\$21,308</u>	<u>\$33,357</u>

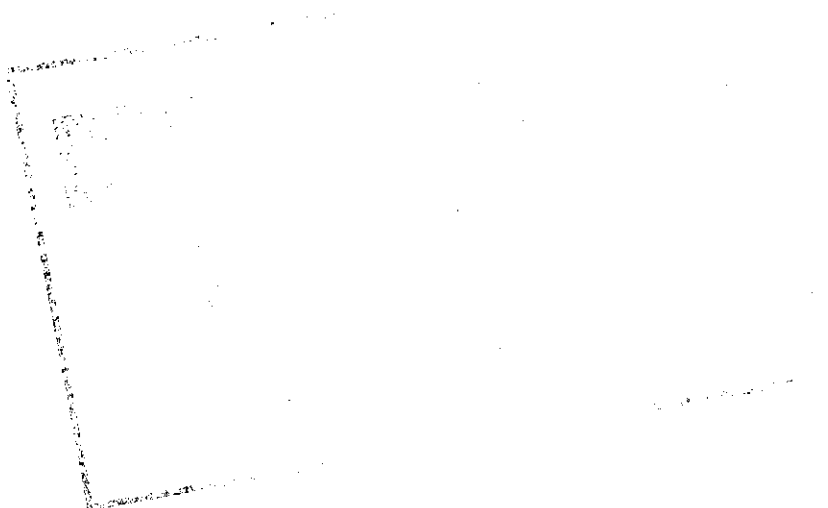
Economic Factors and Next Year's Budget

The Council expects little change in revenues in the upcoming year. The following economic factors were considered in preparing the Councils financial plan for fiscal year 2006-2007:

- Expense for the Meteorological Services contract
- Expense for the Burn Coordinator Contract
- Expense for the Secretary/Treasurer Contract
- Liability insurance policy expense for a new policy through the California Special District Risk Management Authority.

Requests for Information

This financial report is designed to provide a general overview of the Council's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Robyn Sousa, Administrative Analyst, Sacramento Valley Basinwide Air Pollution Control, 2525 Dominic Drive, Suite J, Chico, California, 95928.



BASIC FINANCIAL STATEMENTS
Fund Financial Statements

SACRAMENTO VALLEY BASINWIDE AIR POLLUTION CONTROL COUNCIL
STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Total</u>
<u>ASSETS</u>	
Current Assets:	
Cash and investments	\$ 9,142
Total Assets	9,142
<u>LIABILITIES</u>	
Current Liabilities	
Accounts payable	-
Total Liabilities	-
<u>NET ASSETS</u>	
Undesignated	9,142
Total Net Assets	\$ 9,142

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

SACRAMENTO VALLEY BASINWIDE AIR POLLUTION CONTROL COUNCIL
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	Total
<u>OPERATING REVENUES</u>	
Charges for services	\$ 62,892
Total Operating Revenues	62,892
<u>OPERATING EXPENSES</u>	
Administrative services	8,500
Communication	400
Consultant fees	50,000
Professional services	13,377
Office expense	1,500
Miscellaneous	1,336
Travel	45
Total Operating Expenses	75,158
Operating Income (Loss)	(12,266)
<u>OTHER REVENUES (EXPENSES)</u>	
Interest income	100
Total Non-Operating Revenues (Expenses)	100
Change in Net Assets	(12,166)
Total Net Assets - Beginning	21,308
Total Net Assets - Ending	\$ 9,142

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

SACRAMENTO VALLEY BASINWIDE AIR POLLUTION CONTROL COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers	\$ 62,892
Cash paid for operations	(75,766)
Net Cash Provided (Used) by Operating Activities	(12,874)
<u>CASH FLOWS FROM INVESTMENT ACTIVITIES</u>	
Interest income	100
Net Cash Provided (Used) by Investing Activities	100
Net Increase (Decrease) in Cash and Cash Equivalents	(12,774)
Balance - Beginning of the Year	21,916
Balance - End of the Year	\$ 9,142
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating income (loss)	\$ (12,266)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase (Decrease) in: accounts payable	(608)
Net Cash Provided (Used) by Operating Activities	\$ (12,874)

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



BASIC FINANCIAL STATEMENTS
Notes to Basic Financial Statements

SACRAMENTO VALLEY BASINWIDE AIR POLLUTION CONTROL COUNCIL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Sacramento Valley Basinwide Air Pollution Control Council (Council) was formed under California Health and Safety Code 40900 and exists as a Joint Powers Authority under California Government Code 6500 et. Seq., to carry out the following activities pursuant to State law and the California Code of Regulations:

- Preparation and submission to the California Air Resources Board (CARB) and Annual Agricultural Burning Plan for the Sacramento Valley Basin; and
- Consultation to CARB on the adoption of regulations addressing conditional rice straw burning permits; and
- Assistance to member districts in coordinating all air pollution control activities to work toward ensuring that the entire basin is, or will be, in compliance with the requirements of State and Federal law.

The Council is composed of Air Pollution Control Districts from Butte, Colusa, Feather-River, Glenn, Placer, Shasta, Tehama, Yolo-Solano, and Sacramento. The governing board is composed of an elected official designated by the District Board of each member District.

The accounting methods and procedures adopted by the Council conform to generally accepted accounting principles as applied to governmental entities. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable under the criteria set by Governmental Accounting Standards Board (GASB) Statement No. 14.

The governmental reporting entity consists of the Council (Primary Government) and its component units. Component units are legally separate organizations for which the Board of Directors is financially accountable or other organizations whose component units nature and significant relationship with the Council are such that exclusion would cause the Council'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 (i) either the Council's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the Council.

Reporting for component units on the Council financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the Council's operations and, therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the Council.

B. Basis of Presentation

Fund Financial Statements

The accounts of the Council are organized on the basis of a single proprietary fund. The operations of this fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses. A fund is considered major if it is the primary operating fund or meets the following criteria.

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

The Council reports the operating fund as a major proprietary fund.

- The Operating Fund is an enterprise fund used to account for activity related to providing member district's with various air pollution control activities.

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NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C. Basis of Accounting and Measurement Focus

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, local transportation revenue, revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

For its proprietary fund, the Council has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issues on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements, (Statements and interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenues of enterprise funds are charges to customers for services.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments

Cash and investments at June 30, 2007 consisted of cash held in banks. For purposes of the statement of cash flows, highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

The Council follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investment Pools, which require governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In these financial statements, the fair value of the Council's investments was based on unaudited quoted market value.

E. Cash and Cash Equivalents

For purposes of the accompanying Statement of Cash Flows, the enterprise funds consider all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

F. Inventory

Inventory items are recorded as an expense at the time individual items are purchased. Records are not maintained of inventory and supplies on hand, however these amounts are not considered material.

G. Capital Assets

All capital assets, including infrastructure, would be valued at historical cost or estimated historical cost if actual historical cost was not available. Donated property, plant and equipment would be valued at their estimated fair value on the date donated. Major outlays for capital assets and improvements would be capitalized as projects as constructed.

At June 30, 2007 the Council did not own any property, plant, and equipment.

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**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

H. Net Assets

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

- 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.
- Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets net of related debt."

When both restricted and unrestricted resources are available for use, it is the Council's policy to use unrestricted resources first, then restricted resources as they are needed.

I. Revenues and Expenses

Revenues are reported as a source of economic resources, and are classified as operating and non-operating.

Expenses are reported as a use of economic resources and are classified as operating and non-operating.

J. Estimates

The preparation of the 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 and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: DETAILED NOTES

A. Cash and Investments

Total cash and investments of the Council at fair value are comprised of the following:

Deposits	\$ 9,142
Total Cash and Investments	<u>\$ 9,142</u>

Deposits

Under the California Government Code, a financial institution is required to secure deposits in excess of \$100,000 made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of those deposits.

At year end the carrying amount of the Council's cash deposits was \$9,142 and the bank balance was \$9,220. The difference between the bank balance and the carrying amount represents outstanding checks. The bank balance was covered by federal depository insurance.

NOTE 3: RISK MANAGEMENT

The Council 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 Council purchases coverage from a risk management authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

