

**DISCUSSION
DRAFT**

**SACRAMENTO VALLEY BASINWIDE
AIR POLLUTION CONTROL COUNCIL**

Audited Financial Statements
and Compliance Reports

June 30, 2011, 2010, 2009 and 2008

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INDEPENDENT AUDITOR'S REPORT

To the Council Members
Sacramento Valley Basinwide
Air Pollution Control Council
Chico, California

We have audited the accompanying financial statements of the Sacramento Valley Basinwide Air Pollution Control Council (the Council) as of and for the years ended June 30, 2011, 2010, 2009 and 2008, 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 an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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, 2011, 2010, 2009 and 2008, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2011 on our consideration of the Council'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 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 conjunction with this report in assessing the results of our audit.

The Council has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

_____, 2011

SACRAMENTO VALLEY BASINWIDE AIR POLLUTION CONTROL COUNCIL

BALANCE SHEETS

June 30, 2011, 2010, 2009 and 2008

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
ASSETS				
Cash and cash equivalents	\$ 29,194	\$ 22,828	\$ 15,612	\$ 13,662
TOTAL ASSETS	<u>\$ 29,194</u>	<u>\$ 22,828</u>	<u>\$ 15,612</u>	<u>\$ 13,662</u>
NET ASSETS				
Unrestricted	\$ 29,194	\$ 22,828	\$ 15,612	\$ 13,662
TOTAL NEW ASSETS	<u>\$ 29,194</u>	<u>\$ 22,828</u>	<u>\$ 15,612</u>	<u>\$ 13,662</u>

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

SACRAMENTO VALLEY BASINWIDE AIR POLLUTION CONTROL COUNCIL

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2011, 2010, 2009 and 2008

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
OPERATING REVENUES				
Member assessments	\$ 83,638	\$ 84,070	\$ 82,585	\$ 82,085
TOTAL OPERATING REVENUES	<u>83,638</u>	<u>84,070</u>	<u>82,585</u>	<u>82,085</u>
OPERATING EXPENSES				
Professional services	74,012	73,544	76,036	72,498
Insurance	2,191	2,125	2,537	3,414
Office and other operating	253	388	521	1,015
Miscellaneous	845	797	1,560	1,484
TOTAL OPERATING EXPENSES	<u>77,301</u>	<u>76,854</u>	<u>80,654</u>	<u>78,411</u>
NET INCOME FROM OPERATIONS	6,337	7,216	1,931	3,674
NON-OPERATING REVENUES (EXPENSES)				
Interest income			19	846
Other	29			
TOTAL NON-OPERATING REVENUES	<u>29</u>	<u>-</u>	<u>19</u>	<u>846</u>
CHANGE IN NET ASSETS	6,366	7,216	1,950	4,520
Net assets, beginning of year	<u>22,828</u>	<u>15,612</u>	<u>13,662</u>	<u>9,142</u>
NET ASSETS, END OF YEAR	<u>\$ 29,194</u>	<u>\$ 22,828</u>	<u>\$ 15,612</u>	<u>\$ 13,662</u>

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

SACRAMENTO VALLEY BASINWIDE AIR POLLUTION CONTROL COUNCIL

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2011, 2010, 2009 and 2008

	2011	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from member agencies	\$ 83,638	\$ 84,070	\$ 82,585	\$ 82,085
Cash paid to suppliers for goods and services	(77,301)	(76,854)	(80,654)	(78,411)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,337</u>	<u>7,216</u>	<u>1,931</u>	<u>3,674</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Miscellaneous income received	29			
Interest received	-	-	19	846
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>29</u>	<u>-</u>	<u>19</u>	<u>846</u>
INCREASE IN CASH AND CASH EQUIVALENTS	6,366	7,216	1,950	4,520
Cash and cash equivalents, beginning of year	22,828	15,612	13,662	9,142
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 29,194</u>	<u>\$ 22,828</u>	<u>\$ 15,612</u>	<u>\$ 13,662</u>
RECONCILIATION OF NET INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Net income from operations	\$ 6,337	\$ 7,216	\$ 1,931	\$ 3,674
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,337</u>	<u>\$ 7,216</u>	<u>\$ 1,931</u>	<u>\$ 3,674</u>

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

SACRAMENTO VALLEY BASINWIDE AIR POLLUTION CONTROL COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2011, 2010, 2009 and 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Sacramento Valley Basinwide (Council) have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As allowed by the GASB, the Council has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989 currently included under the Financial Accounting Standards Board Codification. The more significant of the Council's accounting policies are described below.

Description of Reporting Entity: The Council was formed in 1986 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:

1. Preparation of a Smoke Management Program plan and conduct an effective program.
2. Administer the Rice Straw Burning Reduction Act of 1991. Adoption of a conditional rice straw burning program permits; and
3. Assistance to member districts in coordinating all air pollution control activities to ensure that the entire Basin is, or will be, in compliance with the requirements of State and Federal air quality laws.

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 Council.

Basis of Presentation: The Council's resources are allocated to and accounted for in these financial statements as an enterprise fund type of the proprietary fund group. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Net assets are segregated into amounts invested in capital assets, net of related debt, amounts restricted and amounts unrestricted, as applicable. The operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accrual basis of accounting is utilized by the Council. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

SACRAMENTO VALLEY BASINWIDE AIR POLLUTION CONTROL COUNCIL

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2011, 2010, 2009 and 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing activities. The principal operating revenues of the Council consist of member district assessments. Operating expenses for the enterprise fund include general and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Cash and Cash Equivalents: For purposes of reporting cash flows, cash and cash equivalents are defined as all cash and investments with original maturities of 90 days or less.

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 certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets: Net assets are typically categorized as invested in capital assets, restricted and unrestricted. The Council had no investment in capital assets or restricted net assets at June 30, 2011, 2010, 2009 and 2008.

NOTE B – CASH AND CASH EQUIVALENTS

The Council's cash and cash equivalents as of June 30, 2011, 2010, 2009 and 2008 consist entirely of amounts held in a financial institution, all of which was federally insured.

Investment policy: California statutes authorize agencies to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The Council's permissible investments under the Government Code included the following instruments:

- U.S. Treasury Issues
- Government agency obligations
- High grade commercial paper
- Time deposits
- LAIF
- Highly rated money market funds

The Council complied with the provisions of California Government Code pertaining to the types of investments held, institutions in which deposits were made and security requirements. The Council currently does not have an investment policy but will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

SACRAMENTO VALLEY BASINWIDE AIR POLLUTION CONTROL COUNCIL

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2011, 2010, 2009 and 2008

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

NOTE C – RISK FINANCING

The Council is exposed to various risks of loss related to torts; theft of, damaged to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from the prior year coverage.

INDEPENDENT AUDITOR 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 Council Members
Sacramento Valley Basinwide
Air Pollution Control Council
Chico, California

We have audited the financial statements of the Sacramento Valley Basinwide Air Pollution Control Council (the Council) as of and for the years ended June 30, 2011, 2010, 2009 and 2008 which comprise the Council's basic financial statements and have issued our report thereon dated _____, 2011. We conducted our audits 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 audits, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 *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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

To the Board of Trustees
Sacramento Valley Basinwide
Air Pollution Control Council
Chico, California

However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such opinions. 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 a separate letter dated _____, 2011.

This report is intended solely for the information and use of management and the Council and is not intended to be and should not be used by anyone other than those specified parties.

_____, 2011