

# A Presentation of the 2025 Audit Report of Financial Statements

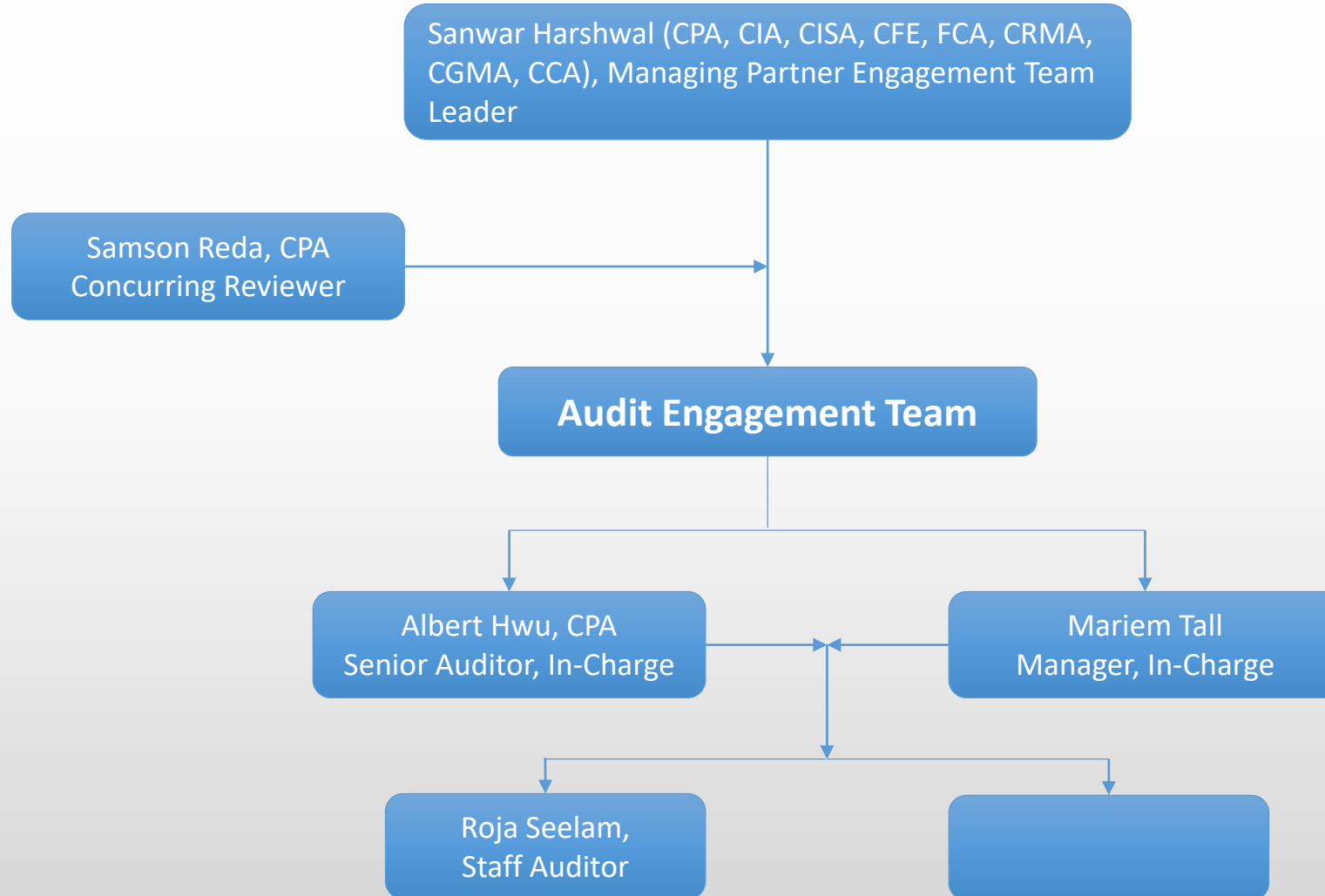
City of Rio Dell

5/19/2026

## Presentation Overview

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# The Engagement Team



## Audit Results and Our Opinion

- A financial statement audit was performed.
- Cooperation was received from members of management.
- An unmodified opinion was issued. This means the financial statements are fairly presented as of 6/30/2025, in accordance with accounting principles generally accepted in the U.S. (GAAP)
- All appropriate disclosures have been properly reflected in the financial statements and footnotes to the financial statements.

## **Audit Results and Our Opinion**

### ACCOUNTING PRACTICES, POLICIES, and ESTIMATES

The following summarizes the more significant required communications related to our audit concerning the city's accounting practices, policies, and estimates:

The city's significant accounting practices and policies are those included in note 1 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within note 1 to the financial statements.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

# Internal Control over Financial Reporting

- We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the city's internal controls over financial reporting. The definitions of control deficiency, material weakness, and significant deficiency are as follows:

## Control Deficiency

- 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.

## Material Weakness

- A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the city's financial statements will not be prevented, or detected and corrected on a timely basis.

## Significant Deficiency

- A deficiency or 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.

## Financial Statements - Overall

- Government wide financial statements present information which focuses on a long-term view of the city's financial condition. They include the statement of net position and the statement of activities. Each of these financial statements shows governmental activities and business type activities.
- Governmental activities are activities which are supported by taxes and intergovernmental revenues (grants). The city's governmental activities include general government, public safety - police, public works, planning and building, housing and community development, and recycling. Although governmental activities may benefit from charges for services, these charges are not designed to cover all program costs.
- Business type activities are activities which rely to a significant extent on fees and charges for services. The city's business type activities include sewer and water.
- Governmental fund financial statements present information on the activity within funds. This set of financial statements is geared towards the near future so their focus is on the short-term.

## Government Wide Financial Statements - Statement of Net Position

Total assets - \$44,197,514      The biggest components of assets consisted of cash and investments (\$8,318,078) and depreciable capital assets (\$26,693,184).

Total liabilities - \$6,115,266      The biggest components of liabilities consisted of loan payable - due after one year (\$4,938,729).

Total net position - \$38,082,248      Net position is a measure of the city's equity.

What is the purpose of the statement of net position? Over time, increases or decreases in net position serve as a useful indicator of whether the city's overall financial position is improving or deteriorating.

## Government Wide Financial Statements - Statement of Activities

Total governmental activities' expenses - \$2,987,255

Total governmental activities' program revenue - \$2,394,603

Total business type activities' expenses - \$2,803,668

Total business type activities' program revenue - \$5,018,889

Total general revenues for governmental activities - \$1,909,685

Total general revenues for business type activities - \$190,819

General revenues consists of tax revenue and intergovernmental revenue.

## Government Wide Financial Statements - Statement of Activities

What is the purpose of the statement of activities? The statement of activities is an income statement, allowing readers of the report to see the costs of services being provided by each function or program and the extent to which they are offset by program revenues. A function or program is a service being provided by the city. Program revenues are charges for services, operating grants and contributions, and capital grants and capital grants and contributions.

# Governmental Fund Financial Statements - Balance Sheet

The balance sheet for governmental funds presents assets and liabilities by major fund. A fund is considered major if 1) its total assets, liabilities, revenues, or expenditures are at least 10% of the total for all funds in its category and 2) its total assets, liabilities, revenues, or expenditures are at least 5% of the total of all governmental funds and enterprise funds.

The city's major funds are the general fund, CDBG special revenue, and clean CA grant ER trails.

Total assets for all governmental funds - \$5,094,733

Total liabilities for all governmental funds - \$586,392

Total fund balance for all governmental funds - \$3,906,352

## Statement of Net Position - Proprietary Funds

The statement of net position presents information for the sewer enterprise fund, water enterprise fund, and internal service fund.

Total assets for enterprise funds - \$29,691,793

Total assets for internal service fund - \$151,301

Total liabilities for enterprise funds - \$5,812,673

## Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds

The statement of revenues, expenses, and changes in net position presents information for the sewer enterprise fund, water enterprise fund, and internal service fund.

Total operating revenue for enterprise funds - \$3,099,391

Total operating revenue for internal service fund - \$32,567

Total operating expenses for enterprise funds- \$2,699,643

Total operating expenses for internal service fund - \$313

## Statement of Cash Flows - Proprietary Funds

- What is the purpose of the statement of cash flows? The statement of cash flows measures how well the city generates cash to pay its debt obligations or to pay its bills.
- Cash and cash equivalents at the end of the year is \$4,549,096.

Calculated as: cash and cash equivalents at the beginning of year \$4,843,817

cash used during the year \$(294,721)

- Cash used during the year is the sum of cash flows from operating activities, capital and related financing activities, and investing activities.
- Since cash and cash equivalents at the end of the year is a positive amount (in the black), this indicates the city generated more cash than it spent for the year. If cash and cash equivalents at the end of the year had been a negative amount (in the red), this would have indicated the city spent more money than it took in for the year.

## Fund Financial Statements - Fiduciary Funds

The statement of fiduciary net position and the statement of changes in fiduciary net position presents information for a custodial fund. This fund is used by the city to hold assets that are being held in trust or in an agency capacity for another entity. Because these assets do not belong to the city, they cannot be used to support the city's own programs.

Total assets - \$32,394

## Status of Findings and Questioned Costs

- There were no audit findings or questioned costs.

## Required Communication with Those Charged with Governance

- We conducted our audit in accordance with Generally Accepted Auditing Standards
- An audit does not relieve management or the Board of their responsibilities
- An audit provides reasonable, but not absolute, assurance that the financial statements are free of material misstatement
- An audit is not designed to provide assurance on internal control or to identify deficiencies in internal controls
- Our audit was conducted as planned and previously communicated
- No significant and unusual transactions were identified
- No other services were performed
- We believe we are independent in all respects
- No significant difficulties were encountered during the audit

# Overview of the Consideration of Fraud

Auditing standards (statement on auditing standards 99) require that each year in connection with an audit and our risk assessment procedures, we make inquiries of those charged with governance, management and other employees about the risk of fraud within the organization. Fraud is an intentional act that results in a material misstatement of financial statements that are being audited, or intentionally misappropriating assets that belong to the organization. While fraud is difficult to detect, identifying risk factors assist the auditors in determining if fraud may be occurring or whether there is a heightened risk for fraud. No risks for the audit were identified as a result of our fraud inquiries. These are the fraud questionnaires that were filled out by various staff members.

