



**American
River
Authority**

c/o: Placer County Water Agency
P.O. Box 6570, Auburn CA 95604
(530) 823-4860

AGENDA

BOARD OF DIRECTORS
AMERICAN RIVER AUTHORITY
3:00 P.M. ADJOURNED BOARD MEETING
Monday, June 20, 2011

MEETING LOCATION:
El Dorado County Government Center
330 Fair Lane
Placerville, CA 95667

ENTITY	DIRECTORS	ALTERNATES
County of El Dorado	Ron Briggs	Jack Sweeney
County of Placer	Jennifer Montgomery	Robert Weygandt
County of San Joaquin	Ken Vogel	VACANT
El Dorado Co. Water Agency	John Fraser	VACANT
Placer County Water Agency	Lowell Jarvis	Mike Lee
Public Member	Ken Yorde	VACANT

Ron Briggs (Chair of the Board)
John Fraser (Vice-Chair)

David Breninger (Executive Director)
Chris Williams (Counsel)

*** In compliance with the Brown Act (Gov. Code Section 54953), you may participate via teleconference at County of Placer, 175 Fulweiler, Auburn, CA. Placer County will post this notice at a publicly accessible location at the **participation** location at least 72 hours before the call begins, and have a speaker phone available for any member of the public who may wish to attend via teleconference at 175 Fulweiler in Auburn, CA. ***

A. CALL TO ORDER

1. Pledge of Allegiance
2. Roll Call & Introductions
3. Organizational Matters; take action as necessary and appropriate:
 - a. Recognize newly appointed members.
 - b. Appointments, if any, to the vacant Alternate positions.
 - c. Selection of Chair and Vice Chairman for 07/01/11 through 06/30/12.

B. PUBLIC COMMENT: Any member of the public may address the Board at this time on any subject matter **not** on the agenda and that is within the jurisdictional authority of the American River Authority. All items described on the agenda will be open for public comment before final action is taken. Speakers are requested to restrict comments to the item as it appears on the agenda and stay within a **three-minute** time limit.

C. CONSENT CALENDER:

1. Approval of minutes: June 14, 2010 adjourned board meeting.

D. GENERAL ITEMS:

1. Report from Chris Williams, legal counsel, on San Joaquin County's signing of Amendment No. 4 Joint Powers Agreement and payment of their past dues/assessments. Take action as appropriate.
2. Receive Independent Auditor's Report prepared by Maze & Associates for the fiscal years ended June 30, 2008, 2009 and 2010. Take action as appropriate.
3. Direct the Executive Director, or Treasurer, to enter into an agreement with Maze & Associates to perform an independent audit for fiscal year ending June 30, 2011. Take action as appropriate.
4. Report on financial condition of the ARA and take action as appropriate on the following:
 - a. Presentation of proposed ARA Annual Budget for the fiscal year ending June 30 2012 which includes no dues/assessments.
5. Presentation by Michael Finnegan, Area Manager Central California Area Office and Rob Schroeder, Project Manager of the Bureau of Reclamation related to progress in managing Bureau of Reclamation lands at the existing Auburn Dam site. Take action as appropriate.
6. Receive report from McNally Temple & Associates related to continuing the Authority's website. Take action as appropriate.
7. Discussion of the future of the ARA in light of current conditions. Take action as appropriate.

E. REPORTS BY ARA DIRECTORS: In accordance with Government Code § 54954.2(a), Directors may make brief announcements or brief reports on their own activities. They may ask questions for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda.

F. REPORT BY ARA LEGAL COUNSEL

G. REPORT BY ARA EXECUTIVE DIRECTOR

H. NEXT REGULAR MEETING DATE: To be announced.

I. ADJOURNMENT

MINUTES

**BOARD OF DIRECTORS
AMERICAN RIVER AUTHORITY
3:00 P.M. ADJOURNED BOARD MEETING
Monday, June 14, 2010**

El Dorado County Government Center
330 Fair Lane
Placerville, CA 95667

ENTITY	DIRECTORS	ALTERNATES
County of El Dorado	Ron Briggs	Jack Sweeney
County of Placer	Jennifer Montgomery	Robert Weygandt
County of San Joaquin	Ken Vogel	VACANT
El Dorado Co. Water Agency	John Fraser	VACANT
Placer County Water Agency	Lowell Jarvis	Mike Lee
Public Member	Ken Yorde	VACANT

VACANT (Chair of the Board)
VACANT (Vice-Chair)

David Breninger (Executive Director)
Chris Williams (Counsel)

A. CALL TO ORDER

1. Pledge of Allegiance
2. Roll Call & Introductions

The meeting was called to order at 3:02 p.m. by Director Fraser. Each Board member present introduced themselves.

ARA Members Present: John Fraser, El Dorado County Water Agency
Lowell Jarvis, Placer County Water Agency
Jennifer Montgomery, County of Placer (participated via teleconference call)
Jack Sweeney, County of El Dorado
Ken Vogel, County of San Joaquin
Ken Yorde, Public Member (voting member)

ARA Staff Present: David Breninger, Executive Director
Ed Horton, ARA Consultant
Joseph Parker, Treasurer
Chris Williams, Legal Counsel

3. Organizational Matters:
 - a. Recognize newly appointed members.

Action: None

- b. Appointments, if any, to the vacant Alternate positions.

Director Vogel noted San Joaquin County does not have an alternate.

Action: Mr. Horton noted El Dorado County Water Agency can send a letter to the Authority noting who they would like appointed to their vacant alternate position.

- c. Selection of Chair and Vice Chairman.

Action: Motion by Director Fraser nominating Director Briggs as Chair; motion seconded by Director Jarvis and adopted by the following aye votes: Directors Fraser, Jarvis, Montgomery, Sweeney, Vogel, Yorde.

Motion by Director Jarvis nominating Director Fraser as Vice-Chair; motion seconded by Director Sweeney and adopted by the following aye votes: Directors Fraser, Jarvis, Montgomery, Sweeney, Vogel, Yorde.

B. PUBLIC COMMENT:

No member of the public commented.

C. CONSENT CALENDER:

1. Approval of minutes: June 16, 2008, adjourned board meeting.

Action: Motion by Director Jarvis approving Consent Calendar item 1; motion seconded by Director Sweeney and by the following aye votes: Directors Fraser, Jarvis, Sweeney, Vogel, Yorde. Director Montgomery abstained.

The Board next heard item D.4.

D. GENERAL ITEMS:

1. Update on activities related to the existing Auburn Dam site. See State Department of Parks and Recreation letter dated May 11, 2010.

Mr. Horton reported the U.S. Bureau of Reclamation (Bureau) is struggling with what to do with its properties in the American River canyon. He noted it is a good reason for the Authority to stay engaged.

Mr. Breninger gave some history of the American River canyon. The Bureau is walking away and leaving the canyon in an unhealthy state with a lot of fuel load and lack of fire protection. He noted effort needs to be taken to represent the water resources in this county, for those who have water rights or expect to have some yield of water at the right time, that all is being maintained well.

It was suggested the proper entity approach the Mid-Pacific Region and/or the Folsom office with a delegate and get clarity as exactly what is the Bureau's role and why it is ceasing to fund and finance that with which they have done for a long time. (Handout provided)

Discussion followed about what the counties and Authority's roles could be due to the Bureau removing itself from taking care of the lands.

Action: Director Sweeney suggested a plan be formulated and one spokesperson—the Executive Director, or his designee, work with different counties planning departments on their role of taking care of the land.

Director Sweeney said he would talk to his Planning Director.

Mr. Breninger suggested Mr. Williams see what role the Authority can play and then the Authority can define and pursue it.

Director Sweeney left at 3:57 p.m. He was not present for items D.2., D.3., D.5., D.6., and E through I.

2. Receive final audit report on the Financial Statements for the fiscal years ended June 30, 2006 and 2007:
 - a. Direct the Executive Director, or Treasurer, to enter into an agreement with either the Placer County Auditor Controller's Office (first choice) or Placer County Water Agency's audit firm, Maze & Associates, to perform financial statement audit services to the Authority for years ending June 30, 2008, 2009 and 2010 at a fee not to exceed \$10,500.

Mr. Parker reported the financial statements were audited by the El Dorado County Auditor/Controller who provided a clean-unqualified opinion for the two years presented. He highlighted the management discussion analysis, internal control report, and auditor's findings.

Action: Motion by Director Jarvis to receive & file the audit report; motion seconded by Director Yorde and adopted by the following aye votes: Directors Fraser, Jarvis, Vogel, Yorde.

Mr. Parker asked for direction for Authority staff to enter into an agreement with either the Placer County Auditor/Controller or PCWA's audit firm to perform the finance statement audit for the three years ending June 30, 2008, 2009, and 2010. He noted Placer County prefers to compile the financial statements and have someone else to audit them. Maze & Associates would be willing to do the audit.

Action: Motion by Director Yorde that staff move ahead with the audit of 2008, 2009, and 2010 with the County compiling the financial statements and Maze and Associates completing the balance of the audit in an amount not to exceed \$10,500; motion seconded by Director Jarvis and adopted by the following aye votes: Directors Fraser, Jarvis, Vogel, Yorde.

3. Discussion of the future of the Authority in light of current conditions.

Action: Mr. Breninger noted Authority staff can explore through Authority representation to network with state governance. He suggested staff follow up and grow the opportunity of the Authority's involvement when it represents the interests of the three counties and the two water districts. Staff can bring back results to the Authority Board.

4. Report on San Joaquin County's current status as a member of the Authority on the following:
 - a. Receive the attached memos from Authority legal counsel, Christopher Williams, dated January 27, 2009, June 12, 2009 and May 21, 2010.
 - b. Receive summary of San Joaquin County's dues/assessment paid to date to the

Authority.

- c. San Joaquin County representatives will comment on their membership in the Authority.
- d. Board discussion and action related to San Joaquin County's membership in the Authority.

Mr. Williams reported San Joaquin County's membership status in the Authority has been pending for 12 years. The auditor discovered San Joaquin County had never signed Amendment 4, nor paid their last assessment. It was thought San Joaquin County had inadvertently neglected to sign the Amendment, but San Joaquin County's Special Counsel indicated to staff that failure to sign was not inadvertent. San Joaquin has indicated they would be glad to sign the amendment as long as all members of the Authority agree to support their water rights application on the American River.

Correspondence with San Joaquin County Counsel Tom Shepherd repeated their request that the member entities of the Authority in good faith support their pending application water rights on the American River. Staff responded multiple times that the Authority can't grant them the relief they want, but it is up to the individual members. The Authority bylaws require that Amendments be unanimously adopted. Also the assessment situation remains unremedied.

He went over options available to the Board.

Director Vogel asked for clarification of the future plans of the Authority and benefits that he can take back to his Board. He stated San Joaquin County is willing to pay its dues, but want to know how they fit into the Authority. He noted San Joaquin County has filings for American River water rights, but some entities on the ARA are opposed to their filings.

Director Sweeney stated he believes those close to the American River should manage it and remain vigilant to protect local water rights. He further noted if those entities located in close proximity to the American River don't watch over the water, someone else may take it. He expressed concern that the Authority body stay together. He noted the problems with San Joaquin County's filings. He gave examples of why Authority membership is valuable.

Mr. Breninger gave the background of the Authority, noting in 1998 there was an effort to try and find common ground among counties and water agencies of Placer, El Dorado, and San Joaquin to identify some additional powers. It has been looked at as how to maintain a local county presence within the American River watershed for the people and lands in our area.

Mr. Williams noted Amendment 4 broadens the purposes of the Authority to protect and support member entities assertions of their water development projects and water rights. The purposes and powers were amended to expand beyond the scope of the Auburn Dam.

Director Montgomery asked how what the Authority does differs than what RCRC or MCWRA does.

Director Sweeney clarified the differences and explained the purpose of Amendment 4.

Action: Motion by Director Sweeney requesting San Joaquin County ratify Amendment 4 and tender their dues current or tender their resignation within 60 days; motion seconded by Director Montgomery and adopted by the following aye votes: Directors Fraser, Jarvis, Montgomery, Sweeney, Yorde. Director Vogel abstained.

At 3:47 p.m. Director Montgomery left the meeting. She was not present for items D.1. D.2., D.3., D.5., D.6., and E through I.

(ARA Resolution 94-01 was handed out)

The Board heard item D.1. on the agenda next.

5. Discuss the financial condition of the Authority:
 - a. Presentation of proposed Authority Annual Budget for years 2009-2010, 2010-2011 and Authority's cash position.
 - b. Discussion of dues assessments for 2008-2009, 2009-2010 and 2010-2011 fiscal years.

Under item D.5.a. Mr. Horton reported on the proposed 2011 budget, the result of last year's budget, actual funding and costs for 2007/08, 2008/09. He noted the 2008/09 and 2009/10 budgets were never adopted. The Authority has been operating under a 2008 and 2009 budget. He pointed out the proposed 2010 & 2011 budget, which shows the cash position with projections at the end of 2010/11. There would still be a cash balance of approximately \$91,000.

Action: Motion by Director Jarvis approving item D.5.a, adopting the 2009/10 Budget and the 2010/11 budget; motion seconded by Director Yorde, including the cash position, and adopted by the following aye votes: Directors Fraser, Jarvis, Vogel, Yorde.

Under item D.5.b. Mr. Horton noted a motion is needed to rectify an action taken at the June 16, 2008, meeting which set an assessment for 2008/2009. Because of what happened with the Auburn project, there is no reason to bill people. So the assessment that was adopted June 16, 2008, needs to be reversed. There are no assessments for 2009/10 and 2010/11.

Action: Motion by Director Jarvis reversing the action taken on June 16, 2008, which assessed \$5,000 dues for 2008/09 and that no assessments continue for 2010/11; motion seconded by Director Yorde and adopted by the following aye votes: Directors Fraser, Jarvis, Vogel, Yorde.

6. Receive report from Kelli Reid, McNally Temple & Associates, related to continuing the Authority's website.

Mr. Horton reported on an \$150 per month quote from McNally Temple to maintain the website. It is in the budget as a \$2,000 commitment. No Board action is needed since the budget has been approved.

E. REPORTS BY ARA DIRECTORS

Director Vogel reported on the bureaucracy created by the new legislation in the Delta. He is now a member of the Delta Conservancy. It is trying to be determined how all the different Delta entities relate.

Director Fraser noted at the ACWA Conference he heard a negative presentation regarding the Delta.

F. REPORT BY ARA LEGAL COUNSEL

No report received.

G. REPORT BY ARA EXECUTIVE DIRECTOR

General Manager noted mutual frustrations over the state coming up with fees and charges and governance structure that makes no sense. Over the years the federal government hasn't paid a strong role. The role they have done is to back away from supporting water supply in this area. They have drained Folsom reservoir for cold water to meet some needs and for quantities of water being dumped to the detriment of recreation and CVP contractors above the Delta. Entities have been shorted under the allegation that there is a statewide drought that the Governor and Resource Department keep touting and will probably do so up until after the elections. He expressed concern we will be left with a coffee can of good intentions and nothing in it.

Action: He recommended this Authority play a more dominant role to defend our rights. We should take a look at what we believe our entities interests are and where there is commonality, join in on the list.

Director Fraser said they look to the Executive Director for leadership.

H. NEXT REGULAR MEETING DATE:

No discussion held.

I. ADJOURNMENT

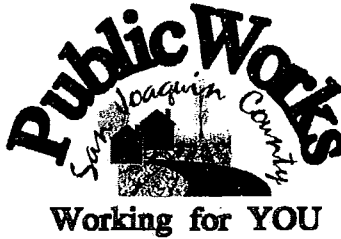
Director Fraser adjourned the meeting at 4:22 p.m.

Respectfully submitted,

Cheri Sprunck



THOMAS R. FLINN
DIRECTOR



received
10-14-10 EH

P. O. BOX 1810 - 1810 E. HAZELTON AVENUE
STOCKTON, CALIFORNIA 95201
(209) 468-3000 FAX (209) 468-2999 **D.1**
www.sjgov.org/pubworks

THOMAS M. GAU
CHIEF DEPUTY DIRECTOR

MICHAEL SELLING
DEPUTY DIRECTOR

STEVEN WINKLER
DEPUTY DIRECTOR

ROGER JANES
BUSINESS ADMINISTRATOR

October 11, 2010

Edward Horton
Placer County Water Agency
Post Office Box 6570
Auburn, CA 95604

**SUBJECT: AMERICAN RIVER AUTHORITY JOINT POWERS AGREEMENT
AMENDMENT NO. 4**

Dear Mr. Horton:

For your records, enclosed is an originally signed American River Authority Joint Powers Agreement Amendment No. 4 (A-10-551) as approved by the San Joaquin County Board of Supervisors on September 21, 2010.

Should you have any questions, please contact me at (209) 468-3531.

Sincerely,

LEILANI CHUA
Management Analyst II

Enclosure

1 AMENDMENT NO. 4

2 JOINT POWERS AGREEMENT

3 AMERICAN RIVER AUTHORITY

4 A-10- 551

5 This Amendment No. 4 to the American River Authority Joint Powers
6 Agreement is made and entered into this 21st day of September, 2010 pursuant to the
7 Joint Exercise of Powers Act, by and between Placer County, El Dorado County, Placer
8 County Water Agency, El Dorado County Water Agency and San Joaquin County. These
9 public entities are hereinafter collectively referred to as the "parties" or "member entities".

10 RECITALS

11 1. On June 8, 1982, the parties entered into the Joint Powers
12 Agreement, American River Authority, on July 20, 1982, they entered into Amendment
13 No. 1 to that Agreement, on July 25, 1989, they entered into Amendment No. 2 to that
14 Agreement and on November 7, 1995, they entered in Amendment No. 3 to that
15 Agreement.

16 2. The parties now wish to further amend the Joint Powers Agreement
17 by modifying the purposes and powers of the American River Authority.

18 NOW, THEREFORE, IT IS MUTUALLY AGREED THAT THE FOLLOWING
19 CHANGES AND ADDITIONS ARE HEREBY MADE TO THE JOINT POWERS
20 AGREEMENT, AMERICAN RIVER AUTHORITY:

21 1. Section 2.03 is amended to read as follows:

22 Section 2.03 Purpose: The purposes of this Agreement are to provide for the joint
23 exercise through the Authority of powers common to each of the parties to study,
24 develop, design, finance, acquire, construct, operate, maintain, and replace dams,

1 reservoirs, tunnels, conduits, hydroelectric facilities, and any and all works related
2 and incidental thereto on the American River between the Placer County Water
3 Agency's Middle Fork American River Project and the Folsom Reservoir, either by
4 the Authority alone or in cooperation with the United States or other entities, in
5 order to divert, store, distribute and sell water for beneficial use, and to generate,
6 transmit, consume and sell hydroelectric power incidental thereto, or as more
7 specifically set forth in this Agreement. The purposes shall also include the
8 protection, preservation and perfection of rights belonging to the member agencies
9 of this Authority to use the waters of the American River and its tributaries for the
10 benefit of the lands and inhabitants of the parties.

11 2. Section 2.04 is amended to read as follows:

12 Section 2.04 Powers: The Authority shall have the power to study, develop,
13 design, finance, acquire, construct, operate, maintain and replace dams,
14 reservoirs, tunnels, conduits and hydroelectric power facilities as specified in this
15 Agreement, and all related facilities necessary or incidental thereto, in order to
16 divert, store, distribute and sell water, and to generate, transmit, consume and sell
17 hydroelectric power incidental thereto. The Authority shall also have the power to
18 take those actions deemed necessary by the Authority Board of Directors to protect
19 the rights of the member agencies of the Authority to use the waters of the
20 American River and its tributaries for the benefit of the lands and inhabitants of the
21 parties, including, but not limited to, participation in regulatory proceedings, court
22 actions, and other activities that may affect the use of the waters of the American
23 River and its tributaries. The Authority is authorized, in its own name, to do all acts
24 necessary for the exercise of these powers for these purposes, including, but not

1 limited to, any or all of the following: to make and enter into contracts; to employ
2 agents and employees; to acquire, construct, manage, maintain, operate and
3 replace any buildings, works or improvements; to acquire by eminent domain or
4 otherwise, and to hold or dispose of any property; to sue and be sued in its own
5 name, to incur debts, liabilities and obligations; and to issue Revenue Bonds and
6 other forms of indebtedness to the extent, and on the terms provided by law. The
7 Authority shall have the power to apply for, accept, and receive all state and
8 federal licenses, permits, grants, loans or other aids from any agency of the United
9 States of America, or of the State of California. In accordance with Government
10 Code Section 6509, the foregoing powers shall be subject to the restrictions upon
11 the manner of exercising such powers pertaining to the Placer County Water
12 Agency as specified in the Placer County Water Agency Act, Statues of 1959,
13 Chapter 815, as amended (West's Water Code Appendix, Chapter 81).

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IN WITNESS WHEREOF, the parties have executed this Amendment No. 4

Joint Powers Agreement, American River Authority, to be effective on the date first above written.

SAN JOAQUIN COUNTY
FLOOD CONTROL & WATER
CONSERVATION DISTRICT

By: 

CARLOS VILLAPUDUA, CHAIRMAN
"DISTRICT"

ATTEST: LOIS M. SAHYOUN
Clerk of the Board of Supervisors
County of San Joaquin,
State of California

By: 

APPROVED AS TO FORM:

By: 

LAWRENCE P. MEYERS
Deputy County Counsel

RECOMMENDED FOR APPROVAL:

By: 

FOR T. R. FLINN
Director of Public Works

WR-10H043-M1

Before the Board of Supervisors
of the San Joaquin County Flood Control and Water Conservation District
State of California

B-10- 913

MOTION: **Vogel/Ornellas/5**

BOARD ORDER
APPROVING AMENDMENT NO. 4 TO THE AMERICAN RIVER AUTHORITY
JOINT POWERS AGREEMENT

THIS BOARD OF SUPERVISORS OF THE SAN JOAQUIN COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT hereby approves Amendment No. 4 to the American River Authority Joint Powers Agreement; and

FURTHER, authorizes the payment of dues to the American River Authority in the amount of \$8,000.

I HEREBY CERTIFY that the above order was passed and adopted 9/21/10
by the following vote of the Board of Supervisors, to wit:

AYES: **Bestolarides, Vogel, Ruhstaller, Ornellas, Villapudua**

NOES: **None**

ABSENT: **None**

ABSTAIN: **None**

LOIS M. SAHYOUN
Clerk of the Board of Supervisors
County of San Joaquin
State of California



Lois M. Sahyoun

AMERICAN RIVER AUTHORITY

Financial Statements

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

(With Independent Auditor's Report Thereon)

**AMERICAN RIVER AUTHORITY
FINANCIAL STATEMENTS**

June 30, 2010, 2009 and 2008

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MAZE & ASSOCIATES

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 · FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors of the
American River Authority
Auburn, California

We have audited the basic financial statements of the American River Authority for the year ended June 30, 2010, 2009 and 2008. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

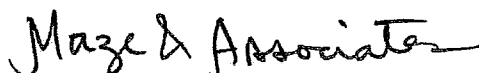
We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to 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 opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects the financial position of the American River Authority at June 30, 2010, 2009 and 2008, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011 on our consideration of the Authority'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 assessing the results of our audit.

Management's Discussion and Analysis and Required Supplementary Information is required by the Government Accounting Standards Board, but is not part of the basic financial statements. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



March 25, 2011

AMERICAN RIVER AUTHORITY

Management's Discussion and Analysis

June 30, 2010, 2009 and 2008

This section presents management's narrative overview and analysis of the American River Authority (Authority) financial activities as of and for the periods ended June 30, 2010, 2009 and 2008. This Management's Discussion and Analysis is intended to serve as an introduction to and should be read in conjunction with the Authority's basic financial statements that follow this section.

Organization

The American River Authority is a joint powers authority comprised of five member agencies, Placer County, El Dorado County, Placer County Water Agency, El Dorado County Water Agency, and San Joaquin County. The purpose of the Authority is to provide for the joint exercise, through the Authority of powers common to each of the parties to study, develop, design, finance, acquire, construct, operate, maintain and replace dams, reservoirs, tunnels, conduits, hydroelectric facilities, and any and all works related and incidental thereto, in order to divert, store, distribute and sell water, and to generate, transmit, consume and sell hydroelectric power incidental thereto. In addition, the Authority extended its powers to include the protection, preservation, and perfection of rights belonging to the member entities to use the waters of the American River and tributaries for the benefit of the lands and inhabitants of the parties. Each member has entered into the Joint Exercise of Powers Agreement, last amended by four of the five members on April 7, 1998.

This section of the Authority's basic financial statements presents a discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2008, 2009, and 2010.

Financial Highlights

- In fiscal year 2008, the Authority assessed member entity contributions of \$5,000 each and received a total of \$20,000 that year. The primary expenditures were paid to consultants (engineers) for their review and summary report of the USBR's 2006 Auburn-Folsom South Unit Special Report, Benefits & Cost Update Report.
- In fiscal year 2009, the Authority budgeted for member entity contributions of \$5,000, yet those contributions were not requested. At their next meeting on June 14, 2010, the Board acted to amend the 2009 budget for member entity contribution amounts that were reversed to zero. The primary expenditures were paid to attorneys and consultants for their effort in monitoring the public hearings and associated matters related to the USBR's water rights on the American River at Auburn, California.
- In fiscal year 2010, the Authority did not budget or request member entity contributions. The primary expenditure was for the audit of the Authority's 2007 and 2006 financial statements. At the June 14, 2010 Board meeting, the Board acted to request San Joaquin County ratify Amendment No. 4 and tender their dues current or tender their resignation within 60 days. Additionally ratified at the June 2010 meeting, the Board approved both the fiscal year 2010 and 2011 Authority budgets with no member entity contribution amounts budgeted.
- The assets of the Authority exceed liabilities at June 30, 2010 by \$108,872 (net assets).

AMERICAN RIVER AUTHORITY

Management's Discussion and Analysis

June 30, 2010, 2009 and 2008

Overview of the Financial Statements

The discussion and analysis in this section is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) government-wide and fund financial statements, and 2) notes to the financial statements. These financial statements also contain required supplementary information in addition to the basic financial statements. This financial information together provides a more complete view of the Authority's financial activities and financial position.

Government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances using accounting methods similar to those of a private-sector business. These statements provide information about the Authority's overall financial status.

The *Statement of Net Assets* presents information on the Authority's assets and liabilities as of the end of each fiscal year, with the difference of the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Activities* presents information on the change in net assets for the 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 the related cash flows.

Fund financial statements are designed to report detailed information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives, and focus primarily on the short-term activities of the Authority. The Authority, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the governmental financial statements. However, their focus is on the near-term inflows and outflows of spendable resources, and the balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements. The governmental fund financial statements provide detailed information about the Authority's fund.

Notes to the financial statements 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 15 – 18.

AMERICAN RIVER AUTHORITY

Management's Discussion and Analysis

June 30, 2010, 2009 and 2008

Financial Analysis

The following is a comparative analysis of the Authority's net assets over the last three fiscal years.

American River Authority Net Assets Governmental Activities June 30, 2010, 2009 and 2008

	2010	2009	2008
Assets:			
Current	\$ 108,872	124,667	141,472
Liabilities:			
Current	-	6,594	13,967
Total liabilities	-	6,594	13,967
Net Assets:			
Unrestricted	\$ 108,872	118,073	127,505

Since June 30, 2008, Net Assets have decreased \$18,633 to the June 30, 2010 balance of \$108,872. Rather than requesting member entity contributions, it was the Board's intention to use cash for near-term activity, thereby reducing net assets.

The following table indicates the changes in net assets for governmental-type activities:

American River Authority Change in Net Assets - Governmental Activities June 30, 2010, 2009 and 2008

	2010	2009	2008
Program revenues:			
Member entity contributions	\$ -	-	20,000
Total program revenues	-	-	20,000
Program expenses:			
Professional services	11,852	12,388	74,973
Total program expenses	11,852	12,388	74,973
Net program revenues (deficit)	(11,852)	(12,388)	(54,973)
General revenues:			
Revenue from use of money	2,651	2,956	6,882
Total general revenues	2,651	2,956	6,882
Change in net assets	(9,201)	(9,432)	(48,091)
Net assets, beginning of year	118,073	127,505	175,596
Net assets, end of year	\$ 108,872	118,073	127,505

AMERICAN RIVER AUTHORITY

Management's Discussion and Analysis

June 30, 2010, 2009 and 2008

Governmental funds

The General Fund is the general operating fund of the Authority, which is used to account for the Authority's financial resources activity. As of June 30, 2010, the unreserved fund balance was \$108,872. The Authority's fund balance decreased by \$9,201 during the 2010 fiscal year due to member entity contribution not assessed or collected and expenditures exceeding interest earnings.

Authority Budget

Government Code Section 6505 (a) of the Joint Exercise of Powers Act requires for strict accountability of all funds. As part of this accountability, the Authority's joint powers agreement dated June 8, 1982, section 4.04, stipulates that thirty (30) days prior to the commencement of each fiscal year, the Board of Directors shall adopt a budget.

The Authority's annual budgets are prepared on the modified accrual basis of accounting and are presented as required supplementary information.

The Authority approves annual budgets. However, if the Authority's Board does not meet and approve an annual budget, then the Authority operates on the last Board adopted budget. In 2009, the Authority Board did not meet and a fiscal year 2010 budget was not adopted until late in the fiscal year. Hence, the Authority used the 2009 budget as the financial plan (budget) for 2010. At their June 14, 2010 Board meeting, the Board acted to approve the fiscal year 2010 and 2011 Authority budgets, as well as amend the fiscal year 2009 budget for the contribution amount, which was reversed to zero. Both the fiscal year 2010 and 2011 Authority budgets include no amounts for member entity contributions.

Depository and Accounting

On January 21, 2009 the Authority's Board treasury/depository and auditor/controller functions were transferred from El Dorado County to Placer County.

Current Information

In December of 2008, the State Water Resources Control Board revoked the water rights held by the U.S. Bureau of Reclamation for the Auburn Dam project. This revocation of the water rights caused the Authority's Board to reconsider the need to assess near-term member entity contributions with the December 31, 2008 cash balance totaling \$123,854.

AMERICAN RIVER AUTHORITY

Statement of Net Assets

June 30, 2010, 2009 and 2008

	Governmental Activities		
	2010	2009	2008
Assets			
Cash with County Treasury	\$ 108,872	124,667	136,472
Due from other governments	-	-	5,000
Total assets	<u>\$ 108,872</u>	<u>124,667</u>	<u>141,472</u>
Liabilities			
Accounts payable	\$ -	6,594	13,967
Total liabilities	<u>-</u>	<u>6,594</u>	<u>13,967</u>
Net Assets			
Unrestricted	108,872	118,073	127,505
Total net assets	<u>108,872</u>	<u>118,073</u>	<u>127,505</u>
Total liabilities and net assets	<u>\$ 108,872</u>	<u>124,667</u>	<u>141,472</u>

The notes to the basic financial statements are an integral part of this statement.

AMERICAN RIVER AUTHORITY

Statement of Activities

June 30, 2010, 2009 and 2008

	Governmental Activities		
	2010	2009	2008
Authority Program Expenses			
Governmental activities:			
Professional Services	\$ 11,012	9,959	74,973
Public education program - Web page	840	2,429	-
Total program expense	11,852	12,388	74,973
Program Revenue			
Member entity contributions	-	-	20,000
Net program revenue	(11,852)	(12,388)	(54,973)
General Revenue			
Interest earnings	2,651	2,956	6,882
Total general revenue	2,651	2,956	6,882
Change in net assets	(9,201)	(9,432)	(48,091)
Net assets, beginning of year	118,073	127,505	175,596
Net assets, end of year	\$ 108,872	118,073	127,505

The notes to the basic financial statements are an integral part of this statement.

AMERICAN RIVER AUTHORITY

Balance Sheet

June 30, 2010, 2009 and 2008

	Governmental Fund		
	(General Fund)		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets			
Cash with County Treasury	\$ 108,872	124,667	136,472
Due from other governments	-	-	5,000
Total assets	<u>\$ 108,872</u>	<u>124,667</u>	<u>141,472</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ -	6,594	13,967
Total liabilities	<u>-</u>	<u>6,594</u>	<u>13,967</u>
Fund balance:			
Unreserved, undesignated	<u>108,872</u>	<u>118,073</u>	<u>127,505</u>
Total fund balance	<u>108,872</u>	<u>118,073</u>	<u>127,505</u>
Total liabilities and fund balance	<u>\$ 108,872</u>	<u>124,667</u>	<u>141,472</u>

The notes to the basic financial statements are an integral part of this statement.

AMERICAN RIVER AUTHORITY

Reconciliation of the Governmental Fund Balance To The Statement of Net Assets

June 30, 2010, 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Fund balance - page 10	\$ 108,872	118,073	127,505
<p>Amounts reported for governmental activities in the statement of net assets are the same because the Authority had neither long-term assets nor liabilities during the periods.</p>			
Net assets of governmental activities	<u>\$ 108,872</u>	<u>118,073</u>	<u>127,505</u>

The notes to the basic financial statements are an integral part of this statement.

AMERICAN RIVER AUTHORITY

Statement of Revenue, Expenditures and Changes in Fund Balance

June 30, 2010, 2009 and 2008

	Governmental Fund (General Fund)		
	2010	2009	2008
Revenues			
Member entity contributions	\$ -	-	20,000
Use of money and property	2,651	2,956	6,882
Total revenues	2,651	2,956	26,882
Expenditures			
Professional services:			
Legal	1,452	7,382	8,794
Audit	6,600	-	-
Consultants	2,960	2,577	66,179
	11,012	9,959	74,973
Public Education Program - Web page	840	2,429	-
Total expenditures	11,852	12,388	74,973
Deficiency of revenues over expenditures	(9,201)	(9,432)	(48,091)
Decrease in fund balance	(9,201)	(9,432)	(48,091)
Fund balance			
Fund balance, beginning of year	118,073	127,505	175,596
Fund balance, June 30	\$ 108,872	118,073	127,505

The notes to the basic financial statements are an integral part of this statement.

AMERICAN RIVER AUTHORITY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

June 30, 2010, 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net change in fund balance – page 12	\$ (9,201)	\$ (9,432)	\$ (48,091)
<p>Amounts reported for governmental activities in the statement of net assets are the same because the Authority has neither had long-term assets nor liabilities during the audit periods.</p>			
Change in net assets	<u>\$ (9,201)</u>	<u>\$ (9,432)</u>	<u>\$ (48,091)</u>

The notes to the basic financial statements are an integral part of this statement.

AMERICAN RIVER AUTHORITY

Notes to the Financial Statements

June 30, 2010, 2009 and 2008

1. Organization and Reporting Entity

The American River Authority (Authority) was created in June of 1982 as a joint powers authority by the County of Placer, County of El Dorado, Placer County Water Agency, and El Dorado Water Agency (member entities). In November of 1995, the original agreement was amended to add the County of San Joaquin as the fifth member entity.

The Authority was originally formed to develop, design, finance, acquire, construct, operate, maintain and replace dams, reservoirs, tunnels, conduits, hydroelectric facilities, and any and all works related and incidental thereto, in order to divert, store, distribute and sell water, and to generate, transmit, consume and sell hydroelectric power incidental thereto. In April of 1998, the Authority amended its joint powers agreement to extend both purpose and powers to include the protection, preservation, and perfection of rights belonging to the member entities to use the waters of the American River and tributaries for the benefit of the lands and inhabitants of the parties. Subsequent to June 30, 2010, this amendment has been approved by all five of its member entities.

The Authority is governed by a six-member board composed of one director from each of the five member entities plus one "at large" director. Every two fiscal years, each member entity's governing board appoints one director and one alternate director to serve on the Authority governing board. Then, the five member entity directors select a sixth "at large" director and alternate, whose residence may alternate between Placer, El Dorado, and San Joaquin Counties.

The Authority was formed pursuant to the Joint Exercise of Powers Act and is legally separate and fiscally independent from each of the member entities. As such, the Authority can incur debt, set and modify its own budgets and fees, enter into contracts, and sue or be sued in its own name. The accompanying financial statements reflect the financial activity of the Authority. The Authority has no component units.

2. Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Government-wide financial statements - The government-wide statements (i.e. the statement of net assets and statement of activities) report information on all of the activities of the Authority. The Authority currently engages in governmental activities only, primarily supported by member entity contributions.

AMERICAN RIVER AUTHORITY

Notes to the Financial Statements

June 30, 2010, 2009 and 2008

The government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. The Authority's member entity contributions are non-exchange transactions, in which, similar to grants, the Authority does not give (or receive) equal value in exchange. Revenues from member entity contributions are recognized in the fiscal year for which the contribution is received. Other revenues, primarily from other governments, are recognized in the fiscal year in which all eligible requirements have been satisfied.

The Authority's statement of activities presents a comparison between direct program expenses and program revenues for the Authority's governmental activities. Direct expenses are those that are specifically associated and clearly identifiable to the Authority's function. Program revenues include member entity contributions. Revenues that are not classified as program revenues consist entirely of interest revenues.

Fund financial statements – The accounts of the Authority are organized and operated on a fund basis. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. The Authority has a single governmental fund, which is presented in the governmental (General Fund) statements. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statement focuses on the near-term inflows and outflows of available resources. The Authority's General Fund is used to account for revenues and expenditures necessary to carry out the Authority's activities. The Authority does not have any non-major governmental, fiduciary or proprietary funds.

Governmental funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and the resulting assets are accrued at the end of the year only if the revenues are earned and are expected to be collected within 30 days of the end of the period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Budgetary Basis of Accounting

The Authority's annual budgets are prepared on the modified accrual basis of accounting and are presented in a budget to actual format as required supplementary information.

AMERICAN RIVER AUTHORITY

Notes to the Financial Statements

June 30, 2010, 2009 and 2008

Cash and Investments

The Authority has instructed the Counties of El Dorado and Placer (County) to invest excess funds on deposit in their overall pooling of investment. The Authority's interest is then allocated according to the average cash balance in the County Treasury based upon the overall investments of the County. The balance in this account is presented on the financial statements as "Cash with County Treasury".

The County maintains written investment policies that address a wide variety of investment practices, including primary investment objectives, investment authority, allocable investment vehicles, investment maturity terms, eligible financial institutions, capital preservation, and cash flow management. All cash deposits at the County conform to the California Government Code Section 53600, et. seq., and are fully collateralized by governmental securities pledged for the purpose of Public Deposit Collateral.

In accordance with Government Accounting Standards Board Statement No. 31, the County calculated the fair value of all investments included in the pooled investments based upon quoted market prices. However, because fair value was 100.01% of cost on June 30, 2010, 100.00% of cost on June 30, 2009, and 100.04% of cost on June 30, 2008, County management deemed that the difference between book value and fair value was not material in relation to each investment account included in the pool. Based on this determination the unrealized decrease in fair value of the investments was not recognized and is not included in the balances reported in the financial statements.

Accounting Records

The Authority's accounting records are maintained by the Placer County Auditor-Controller's Office. Internal accounting controls are in place to ensure that transactions are initiated, approved, and coded by the Authority's management prior to implementation by Placer County Auditor-Controller staff.

3. Member Entity Contributions

The Authority's principal revenue source is contributions from its member entities.

The joint powers agreement (JPA) dated June 8, 1982, details member entity contributions in Section 4.05 by stating the initial assessed contribution to be \$6,500 from each member agency, and further stating that each member agency shall equally pay the expenses of the Authority as they were incurred, up to this initial commitment of funds, upon request from the Board of Directors. In July of 1982 the Authority amended the JPA to increase each member entity's contribution commitment to \$19,000. Similar to the original JPA, the amendment stated that each member agency would reimburse the Authority as the expenditures were incurred, upon request from the Board of Directors, up to the \$19,000 maximum.

AMERICAN RIVER AUTHORITY

Notes to the Financial Statements

June 30, 2010, 2009 and 2008

However, historically the Authority's Board requests each member entity contribution in full based on the Authority's approved budget, rather than the cost reimbursement basis agreed upon in the JPA.

In fiscal year 2008, the actual contributions paid by four member agencies totaled \$20,000. In fiscal years 2009 and 2010, no contributions were made by member entities.

4. Treasurer, Depository and Accounting Functions - Joint Powers Agreement Act

Government Code Section 6505 and 6505.5 of the Joint Exercise of Powers Act, requires that an Authority's Joint Powers Agreement (JPA) designate and specify the duties of the "treasurer designated as depository" and "auditor or controller." In compliance with this Government Code Section, the Authority's 1982 JPA agreement section 4.02 (a) and (b) specified the Authority duties of treasurer as depository and auditor/controller shall be the officer performing those duties/functions of the Placer County Water Agency.

On January 15, 1990 the Authority's Board approved the transfer of the responsibility for the "financial affairs of the Authority" to the Auditor-Controller of El Dorado County, with all billings to receive Authority approval prior to payment. The functions and duties specifically transferred to the El Dorado County were those of the treasurer designed as depository and auditor/controller, which included the accounting, processing and payment of approved invoices. Following this Board action, in February 1990, the Authority's funds were deposited into the El Dorado County Treasury and the El Dorado Auditor-Controller commenced maintaining the Authority's accounting records including cash disbursements.

On June 18, 2007, the Authority's Board approved to transfer the treasurer/depository and auditor/controller functions to Placer County. Pursuant to California Government Code, the same public entity shall perform both the treasurer/depository and auditor/controller functions. Thus, for the period from February 1990 to January 21, 2009 these functions were the responsibility of El Dorado County until physically transferred in January 2009.

On January 21, 2009, the El Dorado County Treasurer and Tax Collector received instructions to wire all Authority funds to the Placer County Treasurer. Subsequently, all of the Authority's cash held in the El Dorado County Treasury was transferred to Placer County. On January 30, 2009, El Dorado County wire transferred the Authority's account balance totaling \$123,854 to Placer County. On February 17, 2009, El Dorado County issued a residual interest check totaling \$142 to Placer County. At the same time, the Placer County Auditor-Controller's Office commenced maintaining the Authority's accounting records including cash disbursements.

AMERICAN RIVER AUTHORITY

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

For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Member entity contributions:				
El Dorado County Water Agency	\$ -	-	-	-
County of El Dorado	-	-	-	-
County of Placer	-	-	-	-
San Joaquin County	-	-	-	-
Placer County Water Agency	-	-	-	-
	-	-	-	-
Use of money and property				
Interest earnings	2,500	2,500	2,651	151
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>2,651</u>	<u>151</u>
Expenditures				
Professional services:				
Legal	5,000	5,000	1,452	3,548
Audit	4,500	4,500	6,600	(2,100)
Consultants	5,000	5,000	2,960	2,040
Public Education Program - web page	2,000	2,000	840	1,160
Other - contingencies	5,000	5,000	-	5,000
Total expenditures	<u>21,500</u>	<u>21,500</u>	<u>11,852</u>	<u>9,648</u>
Deficiency of revenues over expenditures	<u>\$ (19,000)</u>	<u>(19,000)</u>	(9,201)	<u>9,799</u>
Fund balance, July 1, 2009			<u>118,073</u>	
Fund balance, June 30, 2010			<u>\$ 108,872</u>	

See accompanying note to required supplementary information.

AMERICAN RIVER AUTHORITY

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance Final Budget
	Original	Final		
Revenues				
Member entity contributions:				
El Dorado County Water Agency	\$ 5,000	-	-	-
County of El Dorado	5,000	-	-	-
County of Placer	5,000	-	-	-
San Joaquin County	5,000	-	-	-
Placer County Water Agency	5,000	-	-	-
	25,000	-	-	-
Use of money and property				
Interest earnings	9,000	9,000	2,956	(6,044)
Total revenues	34,000	9,000	2,956	(6,044)
Expenditures				
Professional services:				
Legal	20,000	20,000	7,382	12,618
Audit	1,800	1,800	-	1,800
Engineering	5,000	5,000	-	5,000
Consultants	26,000	26,000	2,577	23,423
Public Education Program - web page	8,000	8,000	2,429	5,571
Other - contingencies	10,000	10,000	-	10,000
Total expenditures	70,800	70,800	12,388	58,412
Deficiency of revenues over expenditures	\$ (36,800)	(61,800)	(9,432)	52,368
Fund balance, July 1, 2008			127,505	
Fund balance, June 30, 2009			\$ 118,073	

See accompanying note to required supplementary information.

AMERICAN RIVER AUTHORITY
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget to Actual
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Member entity contributions:				
El Dorado County Water Agency	\$ 5,000	5,000	5,000	-
County of El Dorado	5,000	5,000	5,000	-
County of Placer	5,000	5,000	5,000	-
San Joaquin County	5,000	5,000	-	(5,000)
Placer County Water Agency	5,000	5,000	5,000	-
	<u>25,000</u>	<u>25,000</u>	<u>20,000</u>	<u>(5,000)</u>
Use of money and property				
Interest earnings	9,000	9,000	6,882	(2,118)
	<u>34,000</u>	<u>34,000</u>	<u>26,882</u>	<u>(7,118)</u>
Expenditures				
Professional services:				
Legal	8,000	8,000	8,794	(794)
Audit	2,000	2,000	-	2,000
Engineering	5,000	5,000	-	5,000
Consultants	91,000	91,000	66,179	24,821
Public Outreach	2,175	2,175	-	2,175
Other - contingencies	5,000	5,000	-	5,000
	<u>113,175</u>	<u>113,175</u>	<u>74,973</u>	<u>38,202</u>
Deficiency of revenues over expenditures	<u>\$ (79,175)</u>	<u>(79,175)</u>	(48,091)	<u>31,084</u>
Fund balance, July 1, 2007			<u>175,596</u>	
Fund balance, June 30, 2008			<u>\$ 127,505</u>	

See accompanying note to required supplementary information.

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 - FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

**INDEPENDENT AUDITOR'S 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**

Board of Directors of the
American River Authority
Auburn, California

We have audited the financial statements of the American River Authority as of and for the years ended June 30, 2010, 2009, and 2008 and have issued our report thereon dated March 25, 2011. 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 Authority'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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 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 Authority'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 have also issued a separate Memorandum on Internal Control dated March 25, 2011, which is an integral part of our audits and should be read in conjunction with this report.

This report is intended solely for the information and use of management, Board of Directors, others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

March 25, 2011

**AMERICAN RIVER AUTHORITY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

**FOR THE YEARS ENDED
JUNE 30, 2010, 2009 AND 2008**

**AMERICAN RIVER AUTHORITY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

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

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MEMORANDUM ON INTERNAL CONTROL

March 25, 2011

To the Board of Directors of
the American River Authority, California

We have audited the financial statements of the American River Authority for the years ended June 30, 2010, 2009 and 2008, and have issued our report thereon dated March 25, 2011. In planning and performing our audit of the financial statements of the American River Authority as of and for the years ended June 30 2010, 2009 and 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We identified a certain deficiency in internal control that we consider to be a significant deficiency that is included on the Schedule of Significant Deficiency.

The Authority's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Authority Board, others within the organization, and agencies and pass-through entities requiring compliance with generally accepted government auditing standards, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF SIGNIFICANT DEFICIENCY

2010-01 Timeliness of Financial Statements and Budgets

Year end closing and the timeliness of the financial statements, audits and budget are important elements of the Authority's financial reporting processes. To be effective, a final budget should be approved before the beginning of the fiscal year and the year end closings and drafting of financial statements should be performed timely to provide stakeholders with current financial information.

The accounting functions of the Authority were transferred from the El Dorado County to Placer County on January 21, 2009. As a result of the transfer, the timing of the fiscal year 2008, 2009, and 2010 audits and the adoption of the 2010 budget were severely affected and not completed timely. We noted some deficiencies below found during our audit:

- The Authority did not engage auditors for fiscal years 2008, 2009 and 2010 until June 2010.
- In 2009, the Board did not meet, therefore, the 2010 budget was not adopted until June 14, 2010.

We understand that the Authority was in the process of transferring functions and we anticipate the completion of the subsequent budgets and audits will be done within a reasonable time. We encourage the Authority to continue to use the best practices to ensure that financial reporting and accounting is completed in a timely manner.

Management Response:

The Authority has very low activity and therefore the Board does not meet regularly. The transfer of the accounting functions to Placer County has been completed and the Authority will work more closely with the County to ensure timeliness.

MEMORANDUM ON INTERNAL CONTROL

CURRENT STATUS OF PRIOR YEAR OTHER MATTERS

Finding #1 – Funding process and commitment by member entities does not comply with the Joint Powers Authority Agreement

At July 17, 2006, meeting, the American River Authority's Board approved the annual budget for 2006-07. Subsequently, Authority management used the approved budget as the basis for the "invoice" sent to El Dorado County requesting annual "dues" of \$5,000. While this practice did not exceed the "initial commitment" stipulated in the JPA Agreement, this practice does not comply with the requirement that "member entities pay the expenses of the Authority...as the expenses are incurred."

Current Status - Member assessments are approved by the Board prior to being billed to each member entity.

Finding #2 – The Authority's Report of Financial Transactions to the State Controller's Office did not agree with Official Records.

The Authority's report of financial transactions did not trace to the general ledger in fiscal year 2007. Specifically, the Authority did not report the accounts payable balance of \$6,395 as of June 30, 2007.

Current Status - For the years' 2006 and 2007, El Dorado County maintained the general ledger for the Authority. PCWA prepared the State Controller's Report from information provided by El Dorado County upon which the amounts reported to the State Controller reconcile to those records (general ledger).

For the current audit (2008 - 2010) PCWA has prepared the annual State Controller's Reports, which agrees with the financial information provided the by the Counties.

Finding #3 – San Joaquin County has not approved the 4th Amendment to the Joint Powers Agreement expanding its purpose and powers.

The County of San Joaquin, a member agency of the Authority, did not approve or execute the 4th amendment to the agreement expanding the Authority's purpose and powers.

Current Status - This recommendation was first reported to the Board in the ARA Audit Report dated June 26, 2006. Since that time, American River Authority (ARA) staff and legal counsel contacted San Joaquin County representatives in attempt to finalize the execution of Amendment No. 4. It was most recently discussed at the June 14, 2010, Board meeting that the Board provided the County of San Joaquin 60 days to execute the JPA Amendment No. 4 and pay any outstanding member assessments owed. Prior to expiration of the 60 day deadline, San Joaquin County notified ARA their intent to execute the amendment and pay any outstanding assessments. The County of San Joaquin executed the JPA Amendment No. 4 on September 21, 2010, and on November 1, 2010, the ARA received payment for all outstanding assessments from the County of San Joaquin.

REQUIRED COMMUNICATIONS

March 25, 2011

To the Board of Directors of the
American River Authority
Auburn, California

We have audited the financial statements of the American River Authority as of and for the years ended June 30, 2010, 2009 and 2008 and have issued our report thereon dated March 25, 2011. Professional standards require that we advise you of the following matters relating to our audit.

Financial Statement Audit Assurance: Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit in accordance with generally accepted auditing standards does not provide absolute assurance about, or guarantee the accuracy of, the financial statements. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is an inherent risk that material errors, fraud, or illegal acts may exist and not be detected by us.

Other Information Included with the Audited Financial Statements: Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Authority's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. Our responsibility also includes communicating to you any information that we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements. This other information and the extent of our procedures is explained in our audit report.

Accounting Policies: Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2010, 2009 and 2008.

Unusual Transactions, Controversial or Emerging Areas: No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2010, 2009 and 2008.

Estimates: Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

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 Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Retention Issues: We did not discuss any major issues with management regarding the application of accounting principles and auditing standards that resulted in a condition to our retention as the Authority's auditors.

Difficulties: We encountered no serious difficulties in dealing with management relating to the performance of the audit.

Audit Adjustments: For purposes of this communication, professional standards define an audit adjustment, whether or not recorded by the Authority, as a proposed correction of the financial statements that, in our judgment, may not have been detected except through the audit procedures performed. These adjustments may include those proposed by us but not recorded by the Authority that could potentially cause future financial statements to be materially misstated, even though we have concluded that the adjustments are not material to the current financial statements.

We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the Authority's financial reporting process.

Uncorrected Misstatements: Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the audit committee.

This report is intended solely for the information and use of the Authority Board, its committees, and management and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

American River Authority
Proposed Annual Budget
Budget, Actual and Cash Activity
2011 - 2012

Budget and Actual Activity	Adopted Budget 2009 - 2010	Actual 2009 - 2010 thru 6/30/2010	Adopted Budget 2010 - 2011	Actual 2010 - 2011 thru 05/31/2011	Proposed Budget 2011 - 2012
Assessments:	2				
El Dorado County Water Agency	-	-	-	-	-
County of El Dorado	-	-	-	-	-
County of Placer	-	-	-	-	-
County of San Joaquin	-	-	-	8,000	3
Placer County Water Agency	-	-	-	-	-
Total Assessments	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>-</u>
Expenses:					
Professional Services - Legal	5,000	1,452	4,800	394	4,500
Professional Services - Audit	4,500	6,600	10,500	8,160	6,500
Professional Services - Engineering	-	-	-	-	-
Professional Services - Consultants	5,000	2,961	4,000	-	3,500
Professional Services - Auburn Dam Study	-	-	-	-	-
Web Page - Public Education Program	2,000	841	2,000	424	2,000
Public Outreach - Contribution from EID	-	-	-	-	-
Other - Contingencies	5,000	-	4,000	2,397	4,000
Accounts Payable Current Year	-	-	-	-	-
Accounts Payable Prior Year	-	6,594	-	-	-
Total Expenses	<u>21,500</u>	<u>18,447</u>	<u>25,300</u>	<u>11,374</u>	<u>20,500</u>

Activity for Cash Balance	Proposed Budget and Projected FY 2010	Actual thru 6/30/2010	Adopted Budget and Projected FY 2011	Actual thru 05/31/2011	Proposed Budget and Projected FY 2012
Beginning Cash Balance July 1	124,667	124,667	108,871	108,871	107,427
Interest Earnings	2,500	2,651	2,500	1,930	1,600
Assessments Paid (from above)	-	-	-	8,000	-
Total Cash Available	<u>127,167</u>	<u>127,318</u>	<u>111,371</u>	<u>118,801</u>	<u>109,027</u>
Less: Expenses	(21,500)	(18,447)	(25,300)	(11,374)	(20,500)
Ending Cash Balance	<u>105,667</u>	<u>108,871</u>	<u>86,071</u>	<u>107,427</u>	<u>88,527</u>

Notes:

- 1). 2006 FY & 2007 FY Audit fees from El Dorado County submitted 01/11/2010 and paid February 2010.
- 2). Board of Directors meeting 6/14/2010 - reversed assessments for FY09 and no assessments for 2010 FY or 2011 FY.
- 3). County of San Joaquin executed JPA Amendment #4 and paid outstanding assessments.
- 4). Placer County Auditor-Controller's office- FY08,09,10 Financial Statement preparation.