

Redevelopment Agency of the City of Rio Vista

Rio Vista, California

*Basic Financial Statements
and Independent Auditors' Reports*

For the year ended June 30, 2010

Redevelopment Agency of the City of Rio Vista
Basic Financial Statements
For the year ended June 30, 2010

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Redevelopment Agency of the City of Rio Vista
Statement of Net Assets
June 30, 2010

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 1,509,460
Cash and investments with fiscal agents	91,310
Receivables:	
Intergovernmental	2,688
Accrued interest	1,831
Total current assets	<u>1,605,289</u>
Noncurrent assets:	
Advance to the City	164,011
Capital assets:	
Nondepreciable	<u>427,129</u>
Total noncurrent assets	<u>591,140</u>
Total assets	<u><u>2,196,429</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	10,704
Accrued other expenses	3,224
Interest payable	1,119
Long-term debt - due within one year	<u>112,157</u>
Total current liabilities	<u>127,204</u>
Noncurrent liabilities:	
Long-term debt - due in more than one year	<u>198,469</u>
Total noncurrent liabilities	<u>198,469</u>
Total liabilities	<u><u>325,673</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	
Restricted for:	
Debt service	427,129
Low and moderate income housing	91,310
Total restricted	<u>805,070</u>
Total restricted	<u>896,380</u>
Unrestricted	<u>547,247</u>
Total net assets	<u><u>\$ 1,870,756</u></u>

See accompanying Notes to the Basic Financial Statements.

Redevelopment Agency of the City of Rio Vista
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

Functions/Programs	Expenses
Governmental activities:	
Redevelopment	
Contractual services	\$ 154,342
Administration	159,986
Tax increment pass-through	207,052
SERAF Contributions	281,830
Other expenditures	9,674
Debt service:	
Interest and fiscal charges	15,208
Total	828,092
General revenues:	
Tax increments	807,286
Investment earnings	12,207
Miscellaneous	63
Total general revenues	819,556
Change in net assets	(8,536)
Net assets - beginning of year	1,879,292
Net assets - end of year	\$ 1,870,756

See accompanying Notes to the Basic Financial Statements.

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GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year. The funds described below were determined to be Major Funds by the Agency for fiscal 2010.

Project Fund - This fund accounts for monies received from tax increment funds for major capital projects in the Rio Vista Redevelopment Project Area. The fund also accounts for payment of the Agency's long-term debt.

Low and Moderate Income Housing Fund - This fund accounts for the twenty percent housing set aside from the tax increment proceeds from the Rio Vista Redevelopment Project Area.

Redevelopment Agency of the City of Rio Vista
Balance Sheet
Governmental Funds
June 30, 2010

	Major Funds		Total
	Project Fund	Low and Moderate Income Housing	
ASSETS			
Cash and investments held by City	\$ 868,177	\$ 641,283	\$ 1,509,460
Cash and investments held by fiscal agents	91,310	-	91,310
Accounts receivable	1,440	1,248	2,688
Interest receivable	1,160	671	1,831
Advance to the City	-	164,011	164,011
Total assets	\$ 962,087	\$ 807,213	\$ 1,769,300
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 9,532	\$ 1,172	\$ 10,704
Accrued other expenses	2,253	971	3,224
Total liabilities	11,785	2,143	13,928
Fund Balances:			
Reserved:			
Bond retirement	91,310	-	91,310
Low and moderate income housing	-	641,059	641,059
Advance	-	164,011	164,011
Unreserved:			
Undesignated reported in:			
Special Revenue Funds	858,992	-	858,992
Total fund balances	950,302	805,070	1,755,372
Total liabilities and fund balances	\$ 962,087	\$ 807,213	\$ 1,769,300

See accompanying Notes to the Basic Financial Statements.

**Redevelopment Agency of the City of Rio Vista
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2010**

Total Fund Balances - Total Governmental Funds \$ 1,755,372

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

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 427,129

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Interest payable (1,119)
Long-term debt (310,626)

Net Assets of Governmental Activities \$ 1,870,756

Redevelopment Agency of the City of Rio Vista
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	Major Funds		Total
	Project Fund	Low and Moderate Income Housing	
REVENUES:			
Property tax increment revenue	\$ 645,829	\$ 161,457	\$ 807,286
Use of money and property	7,775	4,432	12,207
Other	58	5	63
Total revenues	653,662	165,894	819,556
EXPENDITURES:			
Current:			
Redevelopment:			
Contractual services	123,863	30,479	154,342
Administration	114,380	45,606	159,986
Tax increment pass-through	166,688	40,364	207,052
SERAF Contributions	281,830	-	281,830
Other expenditures	5,849	3,825	9,674
Debt service:			
Principal repayment	100,870	-	100,870
Interest and fiscal charges	30,007	-	30,007
Total expenditures	823,487	120,274	943,761
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(169,825)	45,620	(124,205)
FUND BALANCES:			
Beginning of year	1,120,127	759,450	1,879,577
End of year	\$ 950,302	\$ 805,070	\$ 1,755,372

See accompanying Notes to the Basic Financial Statements.

Redevelopment Agency of the City of Rio Vista
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (124,205)

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

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities. 100,870

The amount below included in the Statement of Activities and Changes in Net Assets does not provide or (require) the use of current financial resources, and therefore is not reported as revenue or expenditure in governmental funds:

Interest on long-term debt 14,799

Change in Net Assets of Governmental Activities \$ (8,536)

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Redevelopment Agency of the City of Rio Vista

Notes to the Basic Financial Statements

For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Redevelopment Agency of the City of Rio Vista (Agency) was established by Ordinance No. 457, effective July 7, 1988, under the provisions of the Redevelopment Law (California Health and Safety Code), to clear and rehabilitate areas determined to be in a declining economic condition in the Project Area. The Agency has one project area, Project Area A. The Agency's policies are determined by the City Council in their separate capacity as board members of the Agency.

The Agency is authorized to finance projects within the Project Area A from various sources, including assistance from the City, the state and federal governments, property tax increments, interest income and the issuance of Agency notes and bonds.

A. Financial Reporting Entity

The Agency is an integral part of the City of Rio Vista and, accordingly, the accompanying financial statements are included as a component of the basic financial statements prepared by the City. A component unit is a separate governmental unit, agency or nonprofit corporation which, when combined with all other component units, constitutes the reporting entity as defined in the City's basic financial statements.

B. Basis of Accounting/Measurement Focus

The financial statements and accounting policies of the Agency conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government - Wide Financial Statements

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities and Changes in Net Assets presents a comparison between direct expenses and program revenues for each function of the Agency's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The Agency did not have program revenues in FYE 09/10.

The government-wide financial statements are reported using the "economic resources measurement focus" and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Redevelopment Agency of the City of Rio Vista
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting/Measurement Focus, Continued

Governmental Fund Financial Statements

The governmental fund financial statements provide information about the Agency's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

Governmental funds are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Governmental fund expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures when they are paid. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and capital leases are reported as other financing sources.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The Agency's policy is to first apply cost-reimbursement grant resources to such programs, follow by general revenues.

Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

C. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of their grand total. The Agency reported the following major governmental funds in the accompanying financial statements:

Project Fund - This fund accounts for monies received from tax increment funds for major capital projects in the Rio Vista Redevelopment Project Area. The fund also accounts for payment of the Agency's long-term debt.

Low- and Moderate-Income Housing Fund - This fund accounts for the twenty percent housing set aside from the tax increment proceeds from the Rio Vista Redevelopment Project Area.

Redevelopment Agency of the City of Rio Vista
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Revenue

The Agency's primary source of revenue is incremental property taxes. Property taxes allocated to the Agency are computed in the following manner:

- a. The assessed valuation of all property within the Project Areas was frozen on the date of adoption of the Redevelopment Plan.
- b. Property taxes related to any incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the City and other taxing authorities receiving taxes from the Project Areas.

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the City. Conversely, any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the City.

E. Property Taxes

Revenue is recognized in the fiscal year for which the tax is levied. The County of Solano levies, bills and collects property taxes for the Agency; under the County's "Teeter Plan," the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

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

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Redevelopment Agency of the City of Rio Vista
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Net Assets and Fund Balance

Net Assets are measured on the full accrual basis, while Fund Balances are measured on the modified accrual basis.

Net Assets

Net Assets are divided into three captions. These captions apply only to Net Assets as determined at the government-wide level, and are described below:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted – Describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include debt service requirements and redevelopment funds restricted to low- and moderate-income purposes.

Unrestricted – Describes the portion of Net Assets which is not restricted as to use.

Fund Balances

Reservations of the ending fund balance indicate the portion of a fund balance not available for expenditures or are amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period. The Organization had no designated fund balances at yearend.

At June 30, 2010, reserves included:

Reserved for Bond Retirement – The portion of fund balance legally restricted to the payment of principal and interest on long-term liabilities.

Reserved for Low- and Moderate-Income Housing – The portion of fund balance legally restricted to expenditure on low- and moderate-income housing under the California Health and Safety Code.

Reserved for Advance – The portion of fund balance set aside to indicate that these items do not represent available, spendable resources, even though they are a component of assets.

Redevelopment Agency of the City of Rio Vista
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Budgets and budgetary accounting

The Agency annually submits its budgets to a public hearing prior to July 1 for comment. After the public hearing and prior to July 1, the Board approves and adopts the budget. During the year, the Board may authorize supplemental changes to the budget. All budgeted amounts lapse at the end of each fiscal year.

I. Cash and investments

The Agency's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City and Agency pool cash from all sources—except cash with fiscal agents—and all funds so that it can be safely invested at maximum yields, while individual funds can make expenditures at any time.

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

J. Implementation of New GASB Pronouncements

In 2010, the Agency adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Asset* – This Statement established accounting and financial reporting requirements for intangible assets to reduce inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. There was no impact on the Agency's net assets as a result of this implementation during the fiscal year.

Redevelopment Agency of the City of Rio Vista
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of the Agency debt instrument or agency agreements.

	Government-Wide Statement of Net Assets <u>Governmental Activities</u>	
Cash and investments available		
for Agency operations	\$	1,509,460
Cash and investments with fiscal agents		<u>91,310</u>
Total	\$	<u>1,600,770</u>

The California Government Code requires California banks and savings and loan associations to secure cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

A. Risk Disclosures

Interest Risk: Interest rate risk is the market value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of the City's portfolio not to exceed five years.

Credit Risk: The risk of loss of value of an investment due to a downgrade of its rating or the failure or impairment of its issuer. It is the City's policy to limit its investments in these investment types to the top rating issued by nationally recognized statistical rating organizations (NRSROs), including raters Standard & Poor's and Moody's Investor's Service. At June 30, 2010, the City's credit risks, expressed on a percentage basis, were as follows:

	<u>Moody's</u>	<u>Standard & Poor's</u>
External Pool		
State of California - Local Agency Investment Fund	Not Rated	Not Rated

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

Redevelopment Agency of the City of Rio Vista
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2010

3. CASH AND INVESTMENTS, CONTINUED

B. External Investment Pool

The City invests in the California Local Agency Investment Fund (LAIF), a State of California external investment pool that is not rated. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available.

LAIF is part of the Pooled Money Investment Account (PMIA). PMIA oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. PMIB members are the State Treasurer, State Director of Finance, and State Controller. The Local Investment Advisory Board (LIAB) provides oversight for LAIF. The Board consists of five members as designated by statute. The Chairman is the State Treasurer or his designated representative. Two members are qualified by training and experience in the field of investment or finance, and the State Treasurer appoints two members who are treasurers, finance or fiscal officers, or business managers employed by any county, city or local district or municipal corporation of this state. The City values its investments in LAIF at amortized cost, which approximates the fair value.

The City's investments with LAIF at June 30, 2010, include a portion of pool funds invested in structured notes and asset-backed securities. These investments may include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities entitle the purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (e.g., CMOs), small business loans, or credit card receivables.

As of June 30, 2010, the City had \$8,664,341 invested in LAIF, which had invested 5.42% of the pool's funds in structured notes and medium-term asset-backed securities.

Redevelopment Agency of the City of Rio Vista
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2010

3. ADVANCE TO THE CITY

During the year ended June 30, 2007, the Redevelopment Agency's Low- and Moderate-Income Housing Fund made an advance of \$164,011 to the City's Sewer Enterprise Fund which is not expected to be repaid within the next year.

4. CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Agency's policy is to capitalize all assets with cost exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the lives of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulation depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Depreciation is provided using the straight line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The capitalization threshold for capital assets is \$5,000. The Agency has assigned the useful lives listed below to capital assets:

	<u>Useful Lives</u>
Machinery and Equipment	5 years

Major outlays for capital assets and improvements are capitalized as projects are constructed.

	Balance July 1, 2009	Additions	Balance June 30, 2010
Governmental Activities:			
Capital assets, not being depreciated:			
Land	\$ 427,129	\$ -	\$ 427,129
Capital assets, being depreciated:			
Machinery and equipment	5,001	-	5,001
Accumulated depreciation:			
Machinery and equipment	(5,001)	-	(5,001)
Total capital assets being depreciated, net	-	-	-
Capital assets, net	<u>\$ 427,129</u>	<u>\$ -</u>	<u>\$ 427,129</u>

Redevelopment Agency of the City of Rio Vista
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2010

5. LONG-TERM DEBT

The Agency's debt issues and transactions are summarized below and discussed in detail thereafter.

Description	Interest Rates	Original Issue Amount	Balance July 1, 2009	Retirements	Balance June 30, 2010	Classification	
						Amounts Due Within One Year	Amounts Due in More than One Year
<i>Tax Allocation Bonds:</i>							
Redevelopment Agency Tax Allocation Bonds, Series 1991	7.0-7.5%	\$ 920,000	\$ 170,000	\$ (80,000)	\$ 90,000	\$ 90,000	\$ -
Sewer and Water Enterprise Loans	6%	450,000	241,496	(20,870)	220,626	22,157	198,469
Total long-term debt			\$ 411,496	\$ (100,870)	\$ 310,626	\$ 112,157	\$ 198,469

1991 Redevelopment Agency Tax Allocation Bonds

On May 1, 1991, the Agency issued Tax Allocation Bonds in the original principal amount of \$920,000 to provide financing for various redevelopment projects. The bonds bear interest at 7.0-7.5%. Interest is payable semi-annually on November 1 and May 1, and principal is payable annually on May 1 through 2011. The Bonds are secured by the Agency's tax increment revenue.

The Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Redevelopment Agency Low- and Moderate-Income Housing Special Revenue Fund, for the repayment of the 1991 Bonds. The pledge of all future tax increment revenues ends upon repayment of \$90,000 plus interest of \$6,750 remaining debt service on the Bonds, which is scheduled to occur on May 1, 2011. For fiscal year 2010, net tax increment revenue amounted to \$645,829, which represented coverage of 696% over the \$92,750 of debt service.

Sewer and Water Enterprise Loans

In fiscal year 1992/1993, the Sewer and water Enterprise Funds of the City loaned \$450,000 to the Agency to be used as a percentage match for the airport relocation costs not covered by the Federal grant. The loan bears interest at 6%, and annual principal and interest payments of \$34,792 are made from tax increment revenues through 2018.

The annual debt service requirements for long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 112,157	\$ 19,385	\$ 131,542
2012	23,524	11,268	34,792
2013	24,975	9,817	34,792
2014	26,519	8,273	34,792
2015	28,151	6,642	34,793
2016-2018	95,300	7,972	103,272
Total	\$ 310,626	\$ 63,357	\$ 373,983

Redevelopment Agency of the City of Rio Vista
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2010

6. RISK MANAGEMENT

The City is a member of the Northern California Cities Self Insurance Fund (NCCSIF), which covers general liability claims up to \$40,000,000, and worker's compensation claims up to the statutory limit and up to \$5,000,000 for employer's liability. The City has a self-insured retention or deductible of \$50,000 and \$100,000, respectively, per claim. Once the City's self-insured retention for general liability claims is met, NCCSIF becomes responsible for payment of all claims up to the limit. Further information regarding the City's insurance coverage may be found in the City's Basic Financial Statements.

Financial statements for NCCSIF may be obtained from Driver Alliant Insurances, 600 Montgomery Street, 9th Floor, San Francisco, CA 94111.

7. TAX INCREMENT PASS-THROUGH

The Agency entered into an agreement with the County of Solano on December 1, 1988. Among other requirements, this agreement requires that when the Agency's cumulative tax increments of the Project Fund exceed \$2,250,000, and until such time as the Fund's cumulative tax increments equal \$30,000,000, the Agency will pass through to the County 60% of the County's share of 42.5% of the gross tax increments received by the Fund. The Fund exceeded the \$2,250,000 threshold in 1999-2000. Accordingly, the Agency made pass-through payments to the County of \$166,688 from the Project fund for the year ended June 30, 2010.

In addition, the agreement requires the Agency to pass through to the County 25% of its low- and moderate-income housing set-aside when tax increments in the Low- and Moderate-Income Housing Fund exceed \$500,000 and to continue until the Fund collects cumulative tax increment of \$30,000,000. Accordingly, the Agency made pass-through payments to the County of \$40,364 from the Low- and Moderate-Income Housing Fund for the year ended June 30, 2010.

8. COMMITMENTS AND CONTINGENCIES

The Agency is subject to litigation arising in the normal course of business. In the opinion of the Agency Attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Agency.

REQUIRED SUPPLEMENTARY INFORMATION

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Redevelopment Agency of the City of Rio Vista
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Project Fund
For the year ended June 30, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax increment revenue	\$ 620,904	\$ 750,000	\$ 645,829	\$ (104,171)
Use of money and property	11,100	11,100	7,775	(3,325)
Other	-	-	58	58
Total revenues	632,004	761,100	653,662	(107,438)
EXPENDITURES:				
Redevelopment:				
Contractual services	129,665	129,318	123,863	5,455
Administration	116,881	113,323	114,380	(1,057)
Tax increment pass-through	175,226	175,226	166,688	8,538
SERAF Contributions	-	-	281,830	(281,830)
Other expenditures	66,462	7,506	5,849	1,657
Debt service:				
Principal	100,870	100,870	100,870	-
Interest and fiscal charges	31,022	31,022	30,007	1,015
Total expenditures	620,126	557,265	823,487	(266,222)
REVENUES OVER (UNDER) EXPENDITURES	11,878	203,835	(169,825)	(373,660)
OTHER FINANCING SOURCES (USES):				
Transfers (out)	11,879	203,837	-	(203,837)
Total other financing sources (uses)	11,879	203,837	-	(203,837)
Net change in fund balance	\$ 23,757	\$ 407,672	(169,825)	\$ (577,497)
FUND BALANCE:				
Beginning of year			1,120,127	
End of year			<u>\$ 950,302</u>	

Redevelopment Agency of the City of Rio Vista
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Low and Moderate Income Housing Fund
For the year ended June 30, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Property tax increment revenue	\$ 155,226	\$ 192,000	\$ 161,457	\$ (30,543)
Use of money and property	9,500	9,500	4,432	(5,068)
Other	-	-	5	5
Total revenues	164,726	201,500	165,894	(35,606)
EXPENDITURES:				
Redevelopment:				
Contractual services	40,355	40,041	30,479	9,562
Administration	46,756	45,461	45,606	(145)
Tax increment pass-through	43,806	43,806	40,364	3,442
Other expenditures	33,808	72,192	3,825	68,367
Total expenditures	164,725	201,500	120,274	81,226
REVENUES OVER (UNDER) EXPENDITURES	1	-	45,620	45,620
Net change in fund balance	\$ 1	\$ -	45,620	\$ 45,620
FUND BALANCE:				
Beginning of year			759,450	
End of year			<u>\$ 805,070</u>	

**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**

To the Honorable Members of the Governing Board
of the Redevelopment Agency of the City of Rio Vista
Rio Vista, California

We have audited the basic financial statements of the Redevelopment Agency of the City of Rio Vista (Agency), a component unit of the City of Rio Vista (City), California, as of and for the year ended June 30, 2010, and have issued our report thereon dated **January XX, 2010**. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Agency's internal control over financial reporting as a basis for designing our audit 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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency'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. However, we identified one deficiency in internal control over financial reporting, described in the accompanying summary of findings that we consider to be a significant deficiency in internal control over financial reporting, 2010-01. 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.

To the Honorable Members of the Governing Board
of the Redevelopment Agency of the City of Rio Vista
Rio Vista, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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. Such provisions included those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. 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 result of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying summary of findings as item 2010-02.

The Agency's response to the findings identified in our audit is described in the accompanying summary of findings. We did not audit the Agency's response and, accordingly, we express no opinion on it

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

San Francisco, California
January XX, 2011

Redevelopment Agency of the City of Rio Vista
Summary of Findings
For the year ended June 30, 2010

1. SUMMARY OF FINDINGS, Continued

Finding 2010-01: Inter-Fund Advance

Criteria:

The City's Inter-fund Loan and Transfers Policy require that all inter-fund advances authorized have loan repayment schedules with applicable interest rates.

Condition:

During the performance of the audit, we noted that the Agency did not develop a loan repayment schedule or charge interest for the inter-fund advance of \$164,011 made by the Redevelopment Agency's Low- and Moderate-Income Housing Fund to the City's Sewer Enterprise Fund.

Cause:

The Agency was aware of the Inter-fund Loan and Transfers Policy, however the Agency did not develop a loan repayment schedule because the Sewer fund operates at a deficit, and repayment of the inter-fund advance is currently not possible.

Questioned Costs:

Not applicable.

Recommendation:

We recommend that the Agency develop a repayment with applicable interest rate for the above mentioned inter-fund advance.

Management Response:

Redevelopment Agency of the City of Rio Vista
Summary of Findings, Continued
For the year ended June 30, 2010

1. SUMMARY OF FINDINGS, Continued

Finding 2010-02: Filing of Blight Progress Report, Loan Report, and Property Report

Criteria:

Health and Safety Code Section 33080.1 requires that the Redevelopment Agency file various reports to the State Controller's Office of California within six months of the fiscal year end.

Condition:

During the performance of the audit, we noted that the Redevelopment Agency had not filed the following reports:

- Blight Progress Report - describes the Agency's progress in alleviating blight in the previous fiscal year.
- Loan Report - a list of, and status report on, all loans made by the Redevelopment Agency that are \$50,000 or more, that in the previous fiscal year were in default, or not in compliance with the terms of the loan approved by the Redevelopment Agency.
- Property Report - describes the total number and nature of the properties that the Agency owns and those properties the agency has acquired in the previous fiscal year.

Cause:

The Agency was aware of the reporting requirements, however determination as to whether the reports were filed could not be made due to change in senior management.

Questioned Costs:

Not applicable.

Recommendation:

We recommend that the Agency file the above mentioned reports.

Management Response:

Redevelopment Agency of the City of Rio Vista
Summary of Prior Year Findings
For the year ended June 30, 2010

2. SUMMARY OF PRIOR YEAR FINDINGS

Finding 2009-01: Filing of Blight Progress Report, Loan Report, and Property Report

Criteria:

Health and Safety Code Section 33080.1 requires that the Redevelopment Agency file various reports to the State Controller's Office of California within six months of the fiscal year end.

Condition:

During the performance of the audit, we noted that the Redevelopment Agency had not filed the following reports:

- Blight Progress Report - describes the Agency's progress in alleviating blight in the previous fiscal year.
- Loan Report - a list of, and status report on, all loans made by the Redevelopment Agency that are \$50,000 or more, that in the previous fiscal year were in default, or not in compliance with the terms of the loan approved by the Redevelopment Agency.
- Property Report - describes the total number and nature of the properties that the Agency owns and those properties the agency has acquired in the previous fiscal year.

Cause:

The Agency was not aware of the requirement to file the above mentioned reports.

Questioned Costs:

Not applicable.

Recommendation:

We recommend that the Agency file the above mentioned reports.

Management Response:

Management filed all of the reports it was aware of before December 31, 2008 and retained proof of mailing as outlined in the prior year's management's response. The agency did not have any active projects to eliminate blight in FY 2007-08; therefore, a blight progress report was not prepared. Additionally, the RDA has made no loans in excess of \$50,000 which are in default; therefore, no loan report was prepared. While the RDA does hold one piece of land with an undesignated use at this time, management was unaware of the property report requirement.

Management will work with the auditors to ensure all required reports are filed in a timely manner and will retain proof of mailing to verify the submittal date.

Status:

Not implemented. The reports were not filed for FY 08/09.