
City of Rio Vista
Annual Financial Statements
And
Independent Auditor's Report
For the Year Ended
June 30, 2012



CITY OF RIO VISTA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

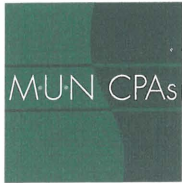
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INDEPENDENT AUDITOR'S REPORT

To the City Council of
the City of Rio Vista
Rio Vista, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rio Vista (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rio Vista, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in Note 18, the California State Legislature has enacted legislation that provides for the dissolution of redevelopment agencies in the State of California. The Redevelopment Agency of the City of Rio Vista was a major component unit of the City. The effects of this legislation are described in the footnote.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2014, on our consideration of the City of Rio Vista'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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Rio Vista's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Manuel M. CPAs

Sacramento, California
April 28, 2014

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

This section of the City of Rio Vista California's Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements and notes to the financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Rio Vista exceeded its liabilities at the close of the most recent fiscal year by \$80,896,369 (net assets). Of this amount, \$5,000,277 represents unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors.
- City of Rio Vista's total net assets decreased \$812,767, of which \$2,038,492 was an extraordinary loss due to the dissolution of the redevelopment agency.
- At the close of the fiscal year, the City's governmental funds reported combined fund balances of \$8,961,303, a decrease of \$610,106 in comparison with the prior year. Approximately 8% of this amount (\$744,437) is available for spending at the government's discretion (unassigned fund balance).
- The City's business-type net assets amounted to \$65,053,868, an increase of \$742,605 from the prior year.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

The financial section of this report consists of four parts:

- 1) Independent Auditor's Report;
- 2) Management's Discussion and Analysis (this section);
- 3) Basic Financial Statements which include:
 - Government-Wide Financial Statements;
 - Fund Financial Statements;
 - Notes to the Basic Financial Statements; and
- 4) Combining and Individual Fund Financial Statements and Schedules.

The basic financial statements include two kinds of statements which present different views of the City.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets (page 16) presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the City's financial improvement or deterioration.

The Statement of Activities (page 17) presents information showing how the government's net assets changed during the past year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (accrual basis of accounting). Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue – "governmental activities" from other functions that are intended to recover all or a significant portion of their costs through users fees and charges – "business-type activities." The governmental activities of the City include general government, public protection, parks and recreation, development, and public ways and facilities. The business-type activities of the city include sewer and the transit system.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rio Vista, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Rio Vista can be divided into three categories:

- ** Governmental funds;
- ** Proprietary funds; and
- ** Fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as "governmental activities" in the government-wide financial statements. However, unlike those statements, the focus in these statements is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Rio Vista maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects, etc). The City Council adopts an annual appropriated budget for each fund within the City.

The fund financial statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities. For the fiscal year ending June 30, 2012, the City of Rio Vista's major funds are as follows:

- ** General Fund
- ** Community Development Block Grant
- ** Capital Projects Fund

Data from the remaining nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of "combining statements" starting on page 68.

A budgetary comparison statement has been provided in the basic financial statements which reflect both original and final budgets for the general fund and for the major special revenue fund.

Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or internal departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City has maintained one type of proprietary fund – enterprise funds – as described below:

- ** Enterprise funds are used to report the same functions as presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for sewer and transit.

Fiduciary funds are used to account for resources held for the benefit of parties outside and within the City. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The Statement of Fiduciary Net Assets is found on page 30.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Notes to the Basic Financial Statements

The Notes 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 32 - 59 of this report.

Combining and Individual Fund Statements and Schedules

This final section of the report includes additional detailed information about nonmajor governmental and agency funds and can be found beginning on page 66.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table presents a summary of the City's assets, liabilities, and net assets for its governmental and business type activities. As noted earlier, a government's net asset position may serve over time as a useful indicator of its financial position.

The Summary of Net Assets as of June 30, 2012 and 2011 follows:

	Governmental Activities			Business-Type Activities			Total Government		
	2012	2011	Net Change	2012	2011	Net Change	2012	2011	Net Change
	<u>2012</u>	<u>2011</u>	<u>Net Change</u>	<u>2012</u>	<u>2011</u>	<u>Net Change</u>	<u>2012</u>	<u>2011</u>	<u>Net Change</u>
ASSETS									
Current and other assets	\$ 9,579	\$ 10,290	\$ (711)	\$ 6,371	\$ 5,255	\$ 1,116	\$ 15,950	\$ 15,545	\$ 405
Capital assets	<u>8,703</u>	<u>8,785</u>	<u>(82)</u>	<u>61,144</u>	<u>60,901</u>	<u>243</u>	<u>69,847</u>	<u>69,686</u>	<u>161</u>
Total Assets	<u>18,282</u>	<u>19,075</u>	<u>(793)</u>	<u>67,515</u>	<u>66,156</u>	<u>1,359</u>	<u>85,797</u>	<u>85,231</u>	<u>566</u>
LIABILITIES									
Long-term liabilities	1,659	1,395	264	1,164	1,207	(43)	2,823	2,602	221
Other liabilities	<u>780</u>	<u>1,024</u>	<u>(244)</u>	<u>1,296</u>	<u>928</u>	<u>368</u>	<u>2,076</u>	<u>1,952</u>	<u>124</u>
Total Liabilities	<u>2,439</u>	<u>2,419</u>	<u>20</u>	<u>2,460</u>	<u>2,135</u>	<u>325</u>	<u>4,899</u>	<u>4,554</u>	<u>345</u>
NET ASSETS									
Invested in capital assets, net of related debt	8,478	8,471	7	59,972	59,688	284	68,450	68,159	291
Restricted	2,104	6,848	(4,744)	5,342	3,543	1,799	7,446	10,391	(2,945)
Unrestricted	<u>5,260</u>	<u>1,338</u>	<u>3,922</u>	<u>(260)</u>	<u>789</u>	<u>(1,049)</u>	<u>5,000</u>	<u>2,127</u>	<u>2,873</u>
Total Net Assets	<u>\$ 15,842</u>	<u>\$ 16,657</u>	<u>\$ (815)</u>	<u>\$ 65,054</u>	<u>\$ 64,020</u>	<u>\$ 1,034</u>	<u>\$ 80,896</u>	<u>\$ 80,677</u>	<u>\$ 219</u>

The City's total government-wide net assets amounted to \$80,896,369 as of June 30, 2012. This represented a decrease of \$812,767 over fiscal year 2011. The decrease in the change in net assets is reflected in the Statement of Activities shown in Table 2 for governmental funds and Table 3 for business-type activities.

By far, the largest portion of the City of Rio Vista's net assets (84.6%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of Rio Vista uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of Rio Vista's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

An additional portion of the City of Rio Vista's net assets (9.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,000,277 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

The City of Rio Vista's overall net assets decreased \$812,767 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

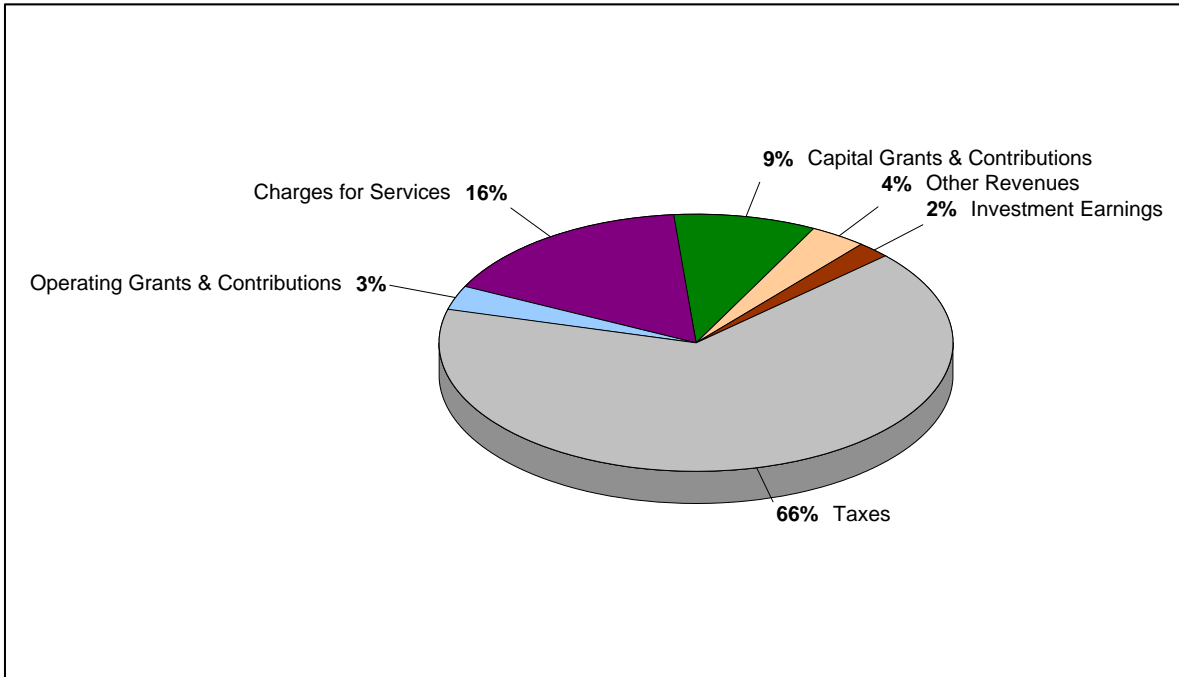
Governmental Activities. During the current fiscal year, net assets for governmental activities decreased \$1,555,372 from the prior fiscal year for an ending balance of \$15,842,501.

TABLE 2
GOVERNMENTAL ACTIVITIES CHANGES IN NET ASSETS AS OF JUNE 30,

	<u>2012</u>	<u>2011</u>
REVENUES		
Charges for services	\$ 867,648	\$ 993,064
Operating grants and contributions	160,119	100,000
Capital grants and contributions	477,609	448,727
Taxes	3,492,472	3,199,368
Investment earnings	110,953	18,797
Other	<u>185,798</u>	<u>764,325</u>
Total Revenue	<u>5,294,599</u>	<u>5,524,281</u>
EXPENSES		
General government	707,437	539,588
Public safety	2,493,050	2,737,464
Parks and recreation	333,468	354,573
Development	366,693	743,837
Public Works	900,207	828,280
Interest and fiscal charges	<u>10,624</u>	<u>39,958</u>
Total Expenses	<u>4,811,479</u>	<u>5,243,700</u>
Increase in net assets before extraordinary items	483,120	280,581
Extraordinary loss	<u>(2,038,492)</u>	<u>-</u>
Change in net assets	<u>(1,555,372)</u>	<u>280,581</u>
Net assets - beginning	16,656,363	16,375,782
Prior period restatement (Note 17)	<u>741,510</u>	<u>-</u>
Net assets - beginning, restated	17,397,873	16,375,782
Net assets - ending	<u>\$ 15,842,501</u>	<u>\$ 16,656,363</u>

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Sources of Revenues
Governmental Activities

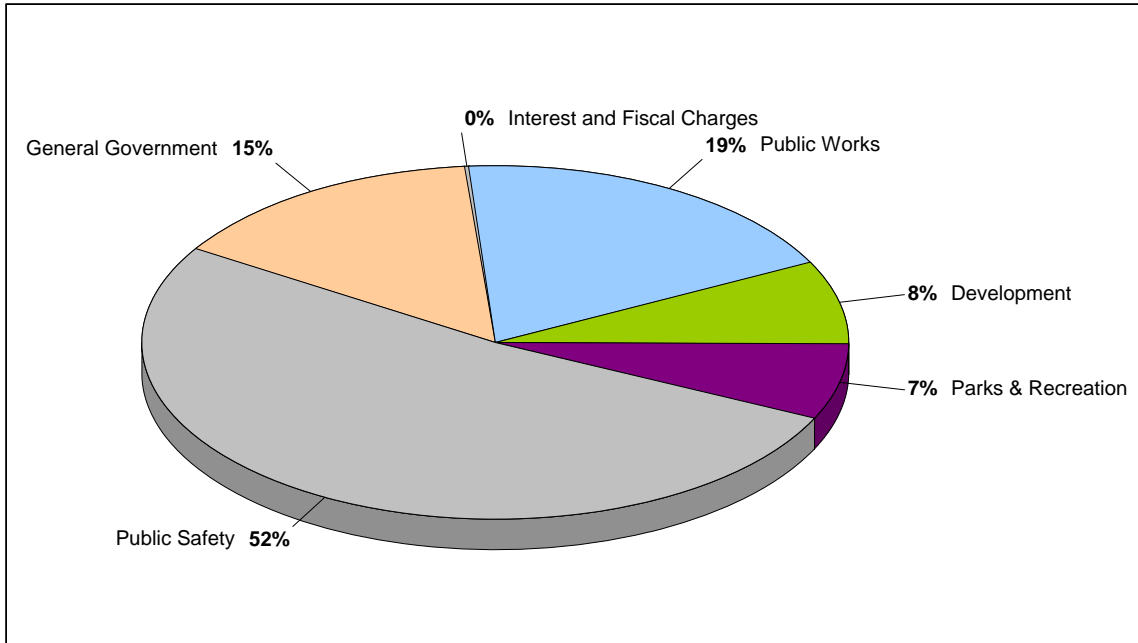


As reflected above, 61% or \$3,492,472 of the City's governmental activities revenues as of June 30, 2012 were comprised of tax increments. Program revenues were 36% of governmental activities. Of this amount, 3% or \$160,119 were derived from operating grants and contributions, 9% was derived from capital grants and contributions, and 24% or \$867,648 were derived from charges for services. The remaining sources of revenues included less than 1% of investment earnings, and 3% of other revenues. Total governmental revenues decreased \$229,682 or 4% mainly due to natural gas decreases, franchise fees reduced, plan check fees and solar plan check lower than the prior year.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Functional Expenses

Governmental Activities



As identified in the functional expenses chart, 52% or \$2,493,050 of the City's expenses were for public safety. 15% or \$707,437 were for general government expenses. The remaining functional expenses included 19% or \$900,207 for public works, 8% or \$366,693 in development, 7% or \$333,468, and less than 1% or \$10,624 in interest and fiscal charges. The City's total governmental expenses decreased \$432,221 from the prior fiscal year.

The change in expenses from prior year is attributable to various factors:

General Government Expenses

General government expenses increased \$167,849 or 31%. The main increase was due to legal fees which included personnel issues, review of Redevelopment dissolution and Successor Agency with the newly appointed Oversight Board and various reviews of contract, and grant submissions. There was also a prior sales tax audit for several years and maintenance and repair on real property.

Public Safety Expenses

Public safety expenses decreased 9% or \$244,414. The main decrease was related to a short staffed police department.

Development Expenses

Development expenses decreased 51% or \$377,144 due to Redevelopment being dissolved. The Successor Agency is now recorded in Fiduciary accounts.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

TABLE 3
BUSINESS-TYPE ACTIVITIES CHANGES IN NET ASSETS AS OF JUNE 30,

	<u>2012</u>	<u>2011</u>
<u>REVENUES</u>		
Charges for services	\$ 6,780,135	\$ 6,895,632
Investment earnings	24,137	54,542
Operating grants and contributions	542,882	325,687
Capital grants and contributions	<u>-</u>	<u>2,094</u>
Total Revenue	<u>7,347,154</u>	<u>7,277,955</u>
<u>EXPENSES</u>		
Water	2,157,283	1,665,636
Beach Drive Treatment facility	1,665,233	1,606,731
NW Wastewater Treatment facility	1,525,102	1,381,121
Airport	580,635	577,462
Business Park	34,803	64,968
Transit	<u>641,493</u>	<u>533,629</u>
Total Expenses	<u>6,604,549</u>	<u>5,829,547</u>
Change in net assets	<u>742,605</u>	<u>1,448,408</u>
Net assets - beginning	64,020,764	62,572,356
Prior period restatement (Note 17)	<u>290,499</u>	<u>-</u>
Net assets - beginning, restated	64,311,263	62,572,356
Net assets - ending	<u>\$ 65,053,868</u>	<u>\$ 64,020,764</u>

The City of Rio Vista uses fund accounting to segregate accounts for specific activities or objectives, including demonstrating finance related legal compliance.

Governmental Funds

In the fiscal year ended June 30, 2012, business-type activities increased the City's net assets by \$742,605.

Revenues

Charges for services decreased \$115,497 or 2% over the prior fiscal year. Operating grants increased \$217,195, while capital grants decreased \$2,094. There was an increase in grants during 2012. TDA (Transportation Development Act) operating grants increased by \$55,000 from the prior year. There also was Federal operating assistance from the Department of Transportation for which the City of Rio Vista applied for reimbursements of our costs.

Investment earnings decreased \$30,405 or 56% due to the decline in investment returns.

Expenses

The increase in expenses from prior year is attributable to various factors:

- Water expenses increased \$491,647 or 30% due to the Amador water tank repairs and an increase in wage allocation to the water fund.
- NW Wastewater expenses increased \$143,981 or 10% due to additional scope areas for Vecolia for maintenance and repair, higher permit charge for SWRCB, and City of Rio Vista's share of Methyl mercury Special Project. The difference for part of the change was a decrease in expenditures in 2011 for a GAAP adjustment for capital.
- Transit expenses increased \$107,864 or 20% due to LSC Transportation for developing a short range plan for transit

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

which started in late 2011 and finished the contract in 2012, advertising, and increased fuel costs.

Financial Analysis of the City's Funds

The focus of the City's government funds is to provide information on near term inflows, outflows, and balances of resources that are available to provide services and capital project construction. In particular, unreserved fund balance may serve as a useful measure of a government's net spendable resources.

At the end of FY 2012 the City's governmental funds reported combined fund balances of \$8,961,303, a decrease of \$610,106 from the prior year. This decrease is largely attributable to the decline of revenues over the past 3 years due to reduced economic activity and the housing crisis. Of the total fund balance of \$8,961,303 approximately \$1,080,165 is nonspendable, \$2,104,122 is restricted, \$52,073 is committed, \$4,980,506 is assigned for various purposes, and \$744,437 is unassigned.

The table below presents the amount of revenues from various sources for the current and prior fiscal year.

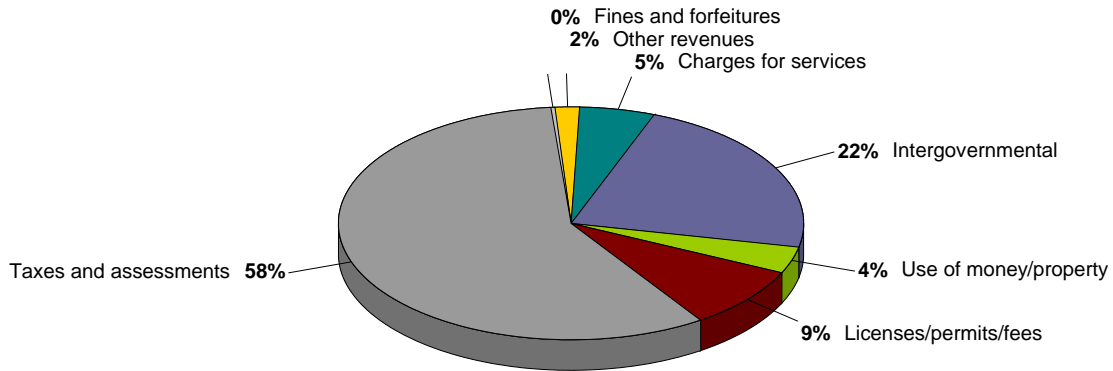
Revenues Classified by Source
Governmental Funds
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>		<u>2011</u>	
	Amount	% of Total	Amount	% of Total
Revenues by Source				
Taxes and assessments	\$ 3,557,708	58.0 %	\$ 2,974,150	51.5 %
Licenses, permits, and fees	531,171	8.7 %	412,772	7.1 %
Fines and forfeitures	17,743	0.3 %	54,191	0.9 %
Use of money and property	225,850	3.7 %	265,345	4.6 %
Intergovernmental revenues	1,378,014	22.4 %	1,550,933	26.9 %
Charges for services	322,299	5.3 %	423,391	7.3 %
Other revenue	<u>105,459</u>	<u>1.7 %</u>	<u>92,945</u>	<u>1.6 %</u>
Total Revenue	<u>\$ 6,138,244</u>	<u>100 %</u>	<u>\$ 5,773,727</u>	<u>100 %</u>

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Revenues Classified by Source

Governmental Funds FY 2011-12



Key elements of the changes noted above include:

Taxes and assessments provide the greatest source of revenues for the City. These sources represent 53% of total revenues. Modest increases occurred in this category for property taxes and motor vehicle and gas taxes when compared to prior fiscal year. This is not evident with a simple year comparison due to the dissolution of the Redevelopment Agency as a result of AB x126. Consumer confidence improved with sales taxes up 12% from 2010-11. Intergovernmental revenues reflect revenue received from other agencies for capital projects. During FY 2012, these revenues decreased to 22.4% of revenues, a decrease of 4.5% from FY 2011. The decrease was related to a decrease in federal and state grants received in 2012 versus 2011 for public works and public safety activities.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

The following table presents expenditures by function compared to prior year amounts:

Expenditures by Function
Governmental Funds
For the Years Ended June 30, 2012 and 2011
(in thousands)

Expenditures by Function	2012		2011	
	Amount	% of Total	Amount	% of Total
General government	\$ 338,109	7.2 %	\$ 431,244	8.6 %
Public safety	2,451,177	52.0 %	2,581,806	51.7 %
Parks and recreation	244,838	5.2 %	258,354	5.2 %
Development	319,615	6.8 %	743,537	14.9 %
Public Works	626,000	13.3 %	620,426	12.4 %
Debt service				
Principal	90,130	1.9 %	175,001	3.5 %
Interest and other charges	10,190	0.2 %	39,958	0.8 %
Capital outlay	<u>629,799</u>	<u>13.4 %</u>	<u>142,134</u>	<u>2.8 %</u>
Total Expenditures	\$ <u>4,709,858</u>	<u>100 %</u>	\$ <u>4,992,460</u>	<u>100 %</u>

Key elements of the changes noted above include:

General government spending was decreased by 22% from the prior year due to election expenses in 2011 and no election expenses in 2012 and contractual services for that were allocated to another account.

Development decreased by 57% due to above normal costs in 2011; there was additional outside contracting for inspections and engineering costs for the expansion of CVS (California Vegetable Specialties). These items were not needed in 2012.

Capital outlay increased 343% as a result of many capital projects such as the following: Rio Vista Bridge Study, Waterfront Bike Trail, Floodwall design, Bridge to Beach, street sweeper, boat launch equipment used for payments of launch fees, and the Emergency Operating Center.

Major Funds

General Fund. The General Fund is the main operating fund of the City. At June 30, 2012, the unassigned fund balance of the general fund was \$1,008,667 while the total fund balance amounted to \$2,088,309. As measures of the general fund's liquidity, it is useful to note that the unassigned fund balance represents 28.7% percent of total fund expenditures, while the total fund balance represents 59.4% percent of that same amount. The General Fund saw an increase of fund balance of \$247,557. Total revenues decreased \$252,783 or 7% from the prior fiscal year. This was primarily due to a decrease in grant revenues. Total expenditures decreased \$305,007 or 8% as explained above under Key elements.

Community Development Block Grant. The Community Development Block Grant Fund had an ending fund balance of \$654,282, an increase of \$688,692 from the prior year. The City received grant revenue of \$718,703 from CDBG and had additional expenses due to legal fees, notices of public hearings and an outside contractor working with Community Development to prepare the audit work for CDBG in a total amount of \$30,011.

Capital Projects Fund. The Capital Projects Fund had a net change in 2012 of a decrease of \$130,544. There was an increase in contractual services for the capital outlay projects. The City of Rio Vista also had to match a percentage of total expenditures depending on the agreement with the project.

Other Governmental Funds. Nonmajor governmental funds aggregated to a \$1,415,811 decrease in fund balances due

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

largely to the loss resulting from the dissolution of Redevelopment.

Enterprise Funds

The following presents the net operating income (loss) for the City's Enterprise Funds for the year ended June 30:

Proprietary Funds		
Net Operating Income (Loss) for the Year Ended June 30,		
	2012	2011
Water	\$ 433,416	\$ 1,136,904
Beach Treatment Facility	715,028	794,113
NW Wastewater Treatment Facility	(173,167)	(52,048)
Airport	(320,839)	(295,759)
Other Enterprise Funds	138,375	(107,853)
Total	\$ 792,813	\$ 1,475,357

The Enterprise Funds showed a decrease of \$682,544 in net operating income (loss) compared to the prior fiscal year. Each Enterprise Fund showed a significant change from the prior year as discussed below:

Water – Net operating income decreased to \$433,416. Expenditures in the Water Fund increased from the prior fiscal year expenditure from \$1,579,742 to a total of \$2,157,283 in the current fiscal year due to contractual services for the Amador Water tank repairs. Total current year operating revenues of \$2,590,699 were less than total operating revenues in the prior year by \$125,947. After adding non-operating revenues, the water fund realized an increase in net assets of \$444,062.

Beach Treatment Facility – The City began accounting for the two sewer systems separately during fiscal year 2009-10 due to issues raised by the public during the rate increase public discussion. Rates were increased in late summer of 2009. The connections to Beach Sewer are core Rio Vista and all new development except for Trilogy which is served by the Northwest Sewer. Total operating revenues \$2,306,657 less total operating expenditures of \$1,591,629, result in net operating income of \$715,028. After net non-operating expenditures of \$69,889, the Beach Treatment Facility had a net change of assets of \$645,139.

NW Wastewater Treatment Facility – The City began accounting for the two sewer systems separately during fiscal year 2009-10 due to issues raised by the public during the rate increase public discussion. The Northwest system connections are all located in Trilogy. Rates were increased in late summer of 2009. Total operating revenues \$1,351,935 less total operating expenditures \$1,525,102, resulted in a net operating loss of \$173,167. There was an increase of operating expenditures of \$143,981 due to additional maintenance and repair on equipment and a larger permit to SWCRB (State Water Resources Control Board). The NW Treatment Facility had a change of net assets of \$(168,263).

Airport – This year's net operating loss of \$320,839 compares with the prior year net loss of \$295,759. Depreciation of \$260,289 contributes largely to the negative change in net assets of \$(320,868).

Other Enterprise Funds – This fund, which includes business park and transit, resulted in total net operating income of \$138,375 in the current fiscal year. Operating revenues of \$814,671 increased of prior year operating revenue of \$576,638 by \$238,033. This was due to an increase in 2012 for grants. TDA (Transportation Development Act) operating grants increased from the prior year. There was also Federal operating assistance from the Department of Transportation applied for as a reimbursement of our costs.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of June 30, 2012 and 2011, respectively, was \$69,846,362 and \$69,482,732 (net of accumulated depreciation). This investment in capital assets includes: infrastructure, land, buildings, improvements other than buildings, construction in progress and equipment. The total increase in the City's investment in capital assets for FY 2012 was \$363,630.

For government wide financial statement presentation, all depreciable capital assets are depreciated from the start of the year following acquisition over their useful lives. Governmental fund financial statements record capital asset purchases as expenditures. Capital assets for the governmental and business type activities are presented in the following table to illustrate changes from the prior year.

Capital Assets (net of depreciation)
As of June 30, 2012 and 2011
(in thousands)

	2012			2011		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 1,968,598	\$ 433,497	\$ 2,402,095	\$ 1,968,598	\$ 433,497	\$ 2,402,095
Construction in progress	334,314	1,717,813	2,052,127	190,857	159,880	350,737
Buildings & improvements	2,440,721	45,160,214	47,600,935	2,618,267	46,123,322	48,741,589
Runways	-	7,003,999	7,003,999	-	7,240,274	7,240,274
Vehicles	405,488	271,441	676,929	240,025	346,724	586,749
Equipment	197,633	315,312	512,945	124,295	200,407	324,702
Infrastructure	<u>3,356,025</u>	<u>6,241,307</u>	<u>9,597,332</u>	<u>3,439,801</u>	<u>6,396,785</u>	<u>9,836,586</u>
Total Net Capital Assets	<u>\$ 8,702,779</u>	<u>\$ 61,143,583</u>	<u>\$ 69,846,362</u>	<u>\$ 8,581,843</u>	<u>\$ 60,900,889</u>	<u>\$ 69,482,732</u>

Additional information about the City's capital assets can be found in Note 5 in the Notes to the Basic Financial Statements.

DEBT ADMINISTRATION

The City uses a variety of indebtedness to finance various capital acquisitions. At June 30, 2012, the City's long-term debt outstanding was \$1,458,457. Of this total, \$224,405 was in governmental activities and \$1,234,052 was in business-type activities. Additional information about the City's long-term obligations can be found in Note 6 in the Notes to Basic Financial Statements. The following table recaps the City's long-term liabilities as of June 30:

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Long-Term Liabilities
Outstanding Balances
As of June 30,
(in thousands)

<u>Description</u>	<u>2012</u>	<u>2011</u>
Governmental Activities:		
1997 General Obligation Bonds	\$ 151,000	\$ 171,000
Fire Truck Capital Lease	<u>73,405</u>	<u>143,535</u>
Total Governmental Activity Debt	\$ <u>224,405</u>	\$ <u>314,535</u>
Business-type Activities:		
2000 Revenue Bonds	\$ 1,225,000	\$ 1,260,000
Airport Capital Lease	<u>9,052</u>	<u>17,619</u>
Total Business-Type Activity Debt	\$ <u>1,234,052</u>	\$ <u>1,277,619</u>

Special Assessment District Debt:

Special assessment districts in different parts of the City have also issued debt to finance infrastructure and facilities construction entirely in those districts. At June 30, 2012, a total of \$29,612,900 in special assessment district debt was outstanding, issued by three assessment districts. The Community Facilities Districts No. 2004-1 and 2006-1 were created to assist in financing a portion of the Northwest Wastewater Facility in the amounts of \$14,255,000 and \$14,175,000. Also, Reassessment District No. 2007-1R Refunding Bonds had a balance of \$1,182,900. All district debt is secured only by special assessments on the real property in the district issuing the debt, and is not the City's responsibility, although the City does act as these Districts' agent in the collection and remittance of assessments.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Governmental Activities

Due to the local economy, general revenues from the City's main sources have continued to fall short when compared to prior fiscal years. To address this decline, the City Council approved Ordinance 665 in August 2012 for a measure to be placed on the ballot to generate additional revenue for the City. In November 2012, the residents passed Measure O, a transactions and use tax, which results in a sales tax increase of 0.75% scheduled to become operative on April 1, 2013. The City also continues to seek out alternative revenue sources through future development activity, grants, sale of City assets/land, etc.

Business-type Activities

While the utility rate increases initiated in 2009 practically saved the operation of the City's utility funds, adjusting the rates to meet the on-going needs of maintaining adequate water and sewer services and improving the utility infrastructure will continue to be challenges that need to be addressed.

REQUESTS FOR INFORMATION

This MD&A is designed to provide the City's residents, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about this document or require additional information, contact the Finance Department at One Main Street, Rio Vista, CA 94571 or call 707-374-2176.

CITY OF RIO VISTA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments (Note 2)	\$ 4,949,511	\$ 3,786,713	\$ 8,736,224
Accounts receivable, net	552,289	1,125,761	1,678,050
Interest receivable	3,334	2,743	6,077
Notes receivable (Note 3)	140,103	-	140,103
Internal balances	3,903,232	(3,903,232)	-
Prepaid items and deposits	17,233	1,223	18,456
Inventory	-	15,395	15,395
Restricted cash and cash equivalents (Note 2)	13,697	5,342,015	5,355,712
Capital assets (Note 5)			
Land and construction in progress	2,302,912	2,151,310	4,454,222
Capital assets being depreciated, net	<u>6,399,867</u>	<u>58,992,273</u>	<u>65,392,140</u>
Total capital assets	<u>8,702,779</u>	<u>61,143,583</u>	<u>69,846,362</u>
Total Assets	<u>\$ 18,282,178</u>	<u>\$ 67,514,201</u>	<u>\$ 85,796,379</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 315,260	\$ 883,831	\$ 1,199,091
Accrued payroll and benefits	81,653	9,615	91,268
Interest payable	6,548	17,589	24,137
Deposits payable	8,808	46,192	55,000
Unearned revenue	98,100	272,500	370,600
Claims payable (Note 11)	130,114	-	130,114
Compensated absences (Note 6):			
Due within one year	45,493	17,718	63,211
Due in more than one year	184,205	40,886	225,091
Landfill post-closure (Note 15):			
Due in more than one year	1,159,209	-	1,159,209
Long-term liabilities (Note 6):			
Due within one year	94,405	49,052	143,457
Due in more than one year	130,000	1,122,950	1,252,950
Other postemployment benefits (Note 9)			
Due in more than one year	<u>185,882</u>	<u>-</u>	<u>185,882</u>
Total Liabilities	<u>2,439,677</u>	<u>2,460,333</u>	<u>4,900,010</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	8,478,374	59,971,581	68,449,955
Restricted for:			
Capital projects	526,245	5,231,212	5,757,457
Debt service	77,522	110,803	188,325
Specific projects and programs	1,500,355	-	1,500,355
Unrestricted	<u>5,260,005</u>	<u>(259,728)</u>	<u>5,000,277</u>
Total Net Assets	<u>15,842,501</u>	<u>65,053,868</u>	<u>80,896,369</u>
Total Liabilities and Net Assets	<u>\$ 18,282,178</u>	<u>\$ 67,514,201</u>	<u>\$ 85,796,379</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 707,437	\$ 193,206	\$ 10,000	\$ -	\$ (504,231)	\$ -	\$ (504,231)
Public safety	2,493,050	211,857	150,119	-	(2,131,074)	-	(2,131,074)
Parks and recreation	333,468	87,573	-	-	(245,895)	-	(245,895)
Development	366,693	136,601	-	-	(230,092)	-	(230,092)
Public works	900,207	238,411	-	477,609	(184,187)	-	(184,187)
Interest and fiscal charges	10,624	-	-	-	(10,624)	-	(10,624)
Total governmental activities	<u>4,811,479</u>	<u>867,648</u>	<u>160,119</u>	<u>477,609</u>	<u>(3,306,103)</u>	<u>-</u>	<u>(3,306,103)</u>
Business-type activities:							
Water	2,157,283	2,590,699	-	-	-	433,416	433,416
Beach Drive treatment facility	1,665,233	2,306,657	-	-	-	641,424	641,424
NW Wastewater treatment facilities	1,525,102	1,351,935	-	-	-	(173,167)	(173,167)
Airport	580,635	259,055	-	-	-	(321,580)	(321,580)
Business park	34,803	88,262	-	-	-	53,459	53,459
Transit	641,493	183,527	542,882	-	-	84,916	84,916
Total business-type activities	<u>6,604,549</u>	<u>6,780,135</u>	<u>542,882</u>	<u>-</u>	<u>-</u>	<u>718,468</u>	<u>718,468</u>
Total primary government	<u>\$ 11,416,028</u>	<u>\$ 7,647,783</u>	<u>\$ 703,001</u>	<u>\$ 477,609</u>	<u>\$ (3,306,103)</u>	<u>\$ 718,468</u>	<u>\$ (2,587,635)</u>
General revenues:							
Property taxes					\$ 2,106,643	\$ -	\$ 2,106,643
Sales taxes					954,890	-	954,890
Other taxes					430,939	-	430,939
Investment earnings					110,953	24,137	135,090
Rental income					114,897	-	114,897
Miscellaneous					70,901	-	70,901
Total general revenues					<u>3,789,223</u>	<u>24,137</u>	<u>3,813,360</u>
Extraordinary item - Redevelopment dissolution (Note 18)					<u>(2,038,492)</u>	<u>-</u>	<u>(2,038,492)</u>
Change in net assets					(1,555,372)	742,605	(812,767)
Net assets - July 1, 2011					16,656,363	64,020,764	80,677,127
Prior period restatement (Note 17)					741,510	290,499	1,032,009
Net assets - July 1, 2011, restated					<u>17,397,873</u>	<u>64,311,263</u>	<u>81,709,136</u>
Net assets - June 30, 2012					<u>\$ 15,842,501</u>	<u>\$ 65,053,868</u>	<u>\$ 80,896,369</u>

See accompanying notes to the basic financial statements.

**CITY OF RIO VISTA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	CDBG	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and investments	\$ 186,352	\$ 654,831	\$ -	\$ 4,108,328	\$ 4,949,511
Restricted cash and investments	-	-	-	13,697	13,697
Accounts receivable	323,918	-	109,980	118,391	552,289
Interest receivable	159	-	-	3,175	3,334
Prepaid items	16,710	-	-	523	17,233
Due from other funds	753,734	-	-	-	753,734
Notes receivable	-	-	-	140,103	140,103
Advances to other funds	<u>1,062,932</u>	<u>-</u>	<u>-</u>	<u>2,519,955</u>	<u>3,582,887</u>
Total Assets	<u>\$ 2,343,805</u>	<u>\$ 654,831</u>	<u>\$ 109,980</u>	<u>\$ 6,904,172</u>	<u>\$ 10,012,788</u>
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>					
LIABILITIES					
Accounts payable and accrued expenses	\$ 175,698	\$ 549	\$ 2,506	\$ 136,507	\$ 315,260
Accrued payroll and benefits	73,990	-	3,820	3,843	81,653
Unearned revenue	-	-	-	212,375	212,375
Deposits payable	5,808	-	-	3,000	8,808
Due to other funds	-	-	260,590	-	260,590
Advances from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,799</u>	<u>172,799</u>
Total Liabilities	<u>255,496</u>	<u>549</u>	<u>266,916</u>	<u>528,524</u>	<u>1,051,485</u>
FUND BALANCES (DEFICITS)					
Nonspendable	1,079,642	-	-	523	1,080,165
Restricted	-	654,282	-	1,449,840	2,104,122
Committed	-	-	-	52,073	52,073
Assigned	-	-	-	4,980,506	4,980,506
Unassigned	<u>1,008,667</u>	<u>-</u>	<u>(156,936)</u>	<u>(107,294)</u>	<u>744,437</u>
Total Fund Balances (Deficits)	<u>2,088,309</u>	<u>654,282</u>	<u>(156,936)</u>	<u>6,375,648</u>	<u>8,961,303</u>
Total Liabilities and Fund Balances	<u>\$ 2,343,805</u>	<u>\$ 654,831</u>	<u>\$ 109,980</u>	<u>\$ 6,904,172</u>	<u>\$ 10,012,788</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balances of governmental funds		\$ 8,961,303
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds, net of accumulated depreciation of \$5,183,670.		8,702,779
Certain notes, loans, and interest receivables are not available to pay for current period expenditures and therefore are offset by deferred revenue in the governmental funds. Deferred revenue		114,275
Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.		
Long-term liabilities		(224,405)
Compensated absences		(229,698)
Net OPEB obligation		(185,882)
Landfill closure liability		(1,159,209)
Claims liability		(130,114)
Interest payable		<u>(6,548)</u>
Net assets of governmental activities		<u>\$ 15,842,501</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>CDBG</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>					
Taxes and assessments	\$ 2,753,778	\$ -	\$ -	\$ 803,930	\$ 3,557,708
Licenses, permits, and fees	244,741	-	-	286,430	531,171
Fines and forfeitures	17,743	-	-	-	17,743
Use of money and property	187,662	-	63	38,125	225,850
Intergovernmental	-	718,703	499,192	160,119	1,378,014
Charges for services	322,299	-	-	-	322,299
Other revenues	<u>7,781</u>	<u>-</u>	<u>-</u>	<u>97,678</u>	<u>105,459</u>
Total Revenues	<u>3,534,004</u>	<u>718,703</u>	<u>499,255</u>	<u>1,386,282</u>	<u>6,138,244</u>
<u>EXPENDITURES</u>					
Current:					
General administration	298,376	-	-	39,733	338,109
Public safety	2,401,191	-	-	49,986	2,451,177
Parks and recreation	201,086	-	-	43,752	244,838
Development	173,599	-	-	146,016	319,615
Public Works	368,898	30,011	-	227,091	626,000
Capital outlay	-	-	629,799	-	629,799
Debt service:					
Principal	70,130	-	-	20,000	90,130
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,190</u>	<u>10,190</u>
Total Expenditures	<u>3,513,280</u>	<u>30,011</u>	<u>629,799</u>	<u>536,768</u>	<u>4,709,858</u>
Excess (Deficiency) of Revenues over Expenditures	<u>20,724</u>	<u>688,692</u>	<u>(130,544)</u>	<u>849,514</u>	<u>1,428,386</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	226,833	-	-	-	226,833
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(226,833)</u>	<u>(226,833)</u>
Total Other Financing Sources (Uses)	<u>226,833</u>	<u>-</u>	<u>-</u>	<u>(226,833)</u>	<u>-</u>
<u>EXTRAORDINARY ITEM</u>					
Redevelopment dissolution (Note 18)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,038,492)</u>	<u>(2,038,492)</u>
Net Change in Fund Balances	<u>247,557</u>	<u>688,692</u>	<u>(130,544)</u>	<u>(1,415,811)</u>	<u>(610,106)</u>
Fund Balances (Deficits) - July 1, 2011	1,893,301	(852,837)	(78,941)	7,779,334	4,954,255
Prior Period Adjustment (Note 17)	<u>(52,549)</u>	<u>818,427</u>	<u>52,549</u>	<u>12,125</u>	<u>830,552</u>
Fund Balances (Deficits) - July 1, 2011, restated	<u>1,840,752</u>	<u>(34,410)</u>	<u>(26,392)</u>	<u>7,791,459</u>	<u>9,571,409</u>
Fund Balances (Deficits) - June 30, 2012	<u>\$ 2,088,309</u>	<u>\$ 654,282</u>	<u>\$ (156,936)</u>	<u>\$ 6,375,648</u>	<u>\$ 8,961,303</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds	\$ (610,106)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital asset purchases	601,856
Depreciation expense	(434,069)
<p>Government funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.</p>	
	(46,851)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Proceeds from long-term liabilities are reported as other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Assets.</p>	
Bond principal payments	90,130
<p>Compensated absence expenditures reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period.</p>	
	3,322
<p>Accrued interest payable is interest due on long-term liabilities. This is the net change in accrued interest in the current period.</p>	
	(434)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
Other postemployment benefits	(62,499)
Landfill closure	(253,078)
<p>Some revenues reported in the prior year Statement of Activities were recognized in the governmental funds in the current year.</p>	
	<u>(843,643)</u>
Change in net assets of governmental activities	<u>\$ (1,555,372)</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

ASSETS	Business-type Activities - Enterprise Funds		
	Water	Beach Drive Treatment Facility	NW Wastewater Treatment Facility
	Water	Beach Drive Treatment Facility	NW Wastewater Treatment Facility
ASSETS			
Current Assets			
Cash and investments	\$ -	\$ 259,580	\$ 2,092,781
Restricted cash and investments	3,456,126	1,366,125	116,457
Accounts receivable, net	289,626	402,649	120,836
Interest receivable	735	-	896
Prepaid items	-	-	-
Inventory	-	-	-
Total Current Assets	3,746,487	2,028,354	2,330,970
Non Current Assets			
Advances to other funds	438,704	38,705	-
Capital assets:			
Land and construction in progress	1,473,056	242,867	6,890
Depreciable assets, net	9,884,443	4,529,984	36,211,173
Total Non-Current Assets	11,796,203	4,811,556	36,218,063
Total Assets	\$ 15,542,690	\$ 6,839,910	\$ 38,549,033
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 267,461	\$ 290,246	\$ 145,519
Accrued salaries and benefits	4,181	1,766	760
Accrued interest payable	-	17,213	-
Deposits payable	24,788	-	-
Due to other funds	260,739	-	-
Unearned revenues	-	-	-
Compensated absences - current	8,422	4,825	2,361
Bonds payable - current	-	40,000	-
Total Current Liabilities	565,591	354,050	148,640
Non-Current Liabilities			
Advances from other funds	-	1,427,462	1,427,463
Compensated absences - noncurrent	21,888	11,557	3,549
Bonds payable - noncurrent	-	1,122,950	-
Total Non-Current Liabilities	21,888	2,561,969	1,431,012
Total Liabilities	587,479	2,916,019	1,579,652
NET ASSETS:			
Invested in capital assets, net of related debt	11,357,499	3,609,901	36,218,063
Restricted for debt service	-	110,803	-
Restricted for capital projects	3,456,126	1,255,322	116,457
Unrestricted	141,586	(1,052,135)	634,861
Total Net Assets	14,955,211	3,923,891	36,969,381
Total Liabilities and Net Assets	\$ 15,542,690	\$ 6,839,910	\$ 38,549,033

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF NET ASSETS (continued)
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-type Activities - Enterprise Funds		
	Airport	Other Enterprise Funds	Totals
ASSETS			
Current Assets			
Cash and investments	\$ -	\$ 1,434,352	\$ 3,786,713
Restricted cash and investments	273,265	130,042	5,342,015
Accounts receivable, net	74,093	238,557	1,125,761
Interest receivable	-	1,112	2,743
Prepaid items	-	1,223	1,223
Inventory	15,395	-	15,395
Total Current Assets	362,753	1,805,286	10,273,850
Non Current Assets			
Advances to other funds	-	-	477,409
Capital assets:			
Land and construction in progress	405,313	23,184	2,151,310
Depreciable assets, net	7,576,517	790,156	58,992,273
Total Non-Current Assets	7,981,830	813,340	61,620,992
Total Assets	\$ 8,344,583	\$ 2,618,626	\$ 71,894,842
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 34,515	\$ 146,090	\$ 883,831
Accrued salaries and benefits	2,034	874	9,615
Accrued interest payable	376	-	17,589
Deposits payable	15,595	5,809	46,192
Due to other funds	103,399	129,006	493,144
Unearned revenues	272,500	-	272,500
Compensated absences - current	1,399	711	17,718
Bonds payable - current	9,052	-	49,052
Total Current Liabilities	438,870	282,490	1,789,641
Non-Current Liabilities			
Advances from other funds	1,032,572	-	3,887,497
Compensated absences - noncurrent	2,840	1,052	40,886
Bonds payable - noncurrent	-	-	1,122,950
Total Non-Current Liabilities	1,035,412	1,052	5,051,333
Total Liabilities	1,474,282	283,542	6,840,974
NET ASSETS:			
Invested in capital assets, net of related debt	7,972,778	813,340	59,971,581
Restricted for debt service	-	-	110,803
Restricted for capital projects	273,265	130,042	5,231,212
Unrestricted	(1,375,742)	1,391,702	(259,728)
Total Net Assets	6,870,301	2,335,084	65,053,868
Total Liabilities and Net Assets	\$ 8,344,583	\$ 2,618,626	\$ 71,894,842

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds		
	Water	Beach Drive Treatment Facility	NW Wastewater Treatment Facility
<u>OPERATING REVENUES</u>			
Charges for services	\$ 2,590,490	\$ 2,304,983	\$ 1,351,535
Rents	-	-	-
Sale of fuel	-	-	-
Grant revenue	-	-	-
Other revenue	<u>209</u>	<u>1,674</u>	<u>400</u>
Total Operating Revenue	<u>2,590,699</u>	<u>2,306,657</u>	<u>1,351,935</u>
<u>OPERATING EXPENSES</u>			
Salaries and benefits	481,362	320,037	150,942
Materials, supplies, and operational expenses	125,659	113,904	54,626
Repairs and maintenance	97,673	176,743	108,260
Power and utilities	230,525	85,613	134,851
Contractual services	587,259	729,144	615,196
Professional services	34,276	487	-
Insurance	-	-	-
Miscellaneous	36,780	10,405	20,553
Depreciation	<u>563,749</u>	<u>155,296</u>	<u>440,674</u>
Total Operating Expenses	<u>2,157,283</u>	<u>1,591,629</u>	<u>1,525,102</u>
Operating Income (Loss)	<u>433,416</u>	<u>715,028</u>	<u>(173,167)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	10,646	3,715	4,904
Interest expense	<u>-</u>	<u>(73,604)</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>10,646</u>	<u>(69,889)</u>	<u>4,904</u>
Change in net assets	<u>444,062</u>	<u>645,139</u>	<u>(168,263)</u>
Net Assets - July 1, 2011	14,511,149	3,265,750	37,150,646
Prior period adjustment (Note 17)	<u>-</u>	<u>13,002</u>	<u>(13,002)</u>
Net Assets - July 1, 2011, restated	<u>14,511,149</u>	<u>3,278,752</u>	<u>37,137,644</u>
Net Assets - June 30, 2012	<u>\$ 14,955,211</u>	<u>\$ 3,923,891</u>	<u>\$ 36,969,381</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds		
	Airport	Other Enterprise Funds	Totals
<u>OPERATING REVENUES</u>			
Charges for services	\$ -	\$ 143,040	\$ 6,390,048
Rents	150,992	90,817	241,809
Sale of fuel	33,937	-	33,937
Grant revenue	74,053	542,882	616,935
Other revenue	73	37,932	40,288
	259,055	814,671	7,323,017
<u>OPERATING EXPENSES</u>			
Salaries and benefits	99,123	68,453	1,119,917
Materials, supplies, and operational expenses	52,100	217,638	563,927
Repairs and maintenance	12,000	983	395,659
Power and utilities	41,428	2,300	494,717
Contractual services	19,690	338,792	2,290,081
Professional services	1,763	1,979	38,505
Insurance	5,229	-	5,229
Miscellaneous	88,272	135	156,145
Depreciation	260,289	46,016	1,466,024
	579,894	676,296	6,530,204
Operating Income (Loss)	(320,839)	138,375	792,813
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	712	4,160	24,137
Interest expense	(741)	-	(74,345)
Total Non-Operating Revenues (Expenses)	(29)	4,160	(50,208)
Change in net assets	(320,868)	142,535	742,605
Net Assets - July 1, 2011	7,100,933	1,992,286	64,020,764
Prior period adjustment (Note 17)	90,236	200,263	290,499
Net Assets - July 1, 2011, restated	7,191,169	2,192,549	64,311,263
Net Assets - June 30, 2012	\$ 6,870,301	\$ 2,335,084	\$ 65,053,868

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Beach Drive Treatment Facility</u>	<u>NW Wastewater Treatment Facility</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers	\$ 2,596,414	\$ 2,237,220	\$ 1,372,900
Cash paid to suppliers	(729,893)	(1,123,813)	(961,460)
Cash paid to employees	(479,109)	(316,817)	(151,561)
Net Cash Provided by Operating Activities	<u>1,387,412</u>	<u>796,590</u>	<u>259,879</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>			
Due (to) from other funds	<u>(12,820)</u>	<u>112,053</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Acquisition of capital assets	(1,352,314)	(216,863)	(6,890)
Principal paid on capital debt	-	(31,553)	-
Interest paid on capital debt	-	(74,337)	-
Net Cash Used for (Provided by) Capital and Related Financing Activities	<u>(1,352,314)</u>	<u>(322,753)</u>	<u>(6,890)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest and dividends	<u>12,248</u>	<u>4,072</u>	<u>5,378</u>
Net Increase in Cash and Cash Equivalents	34,526	589,962	258,367
Cash and Cash Equivalents - July 1, 2011	<u>3,421,600</u>	<u>1,035,743</u>	<u>1,950,871</u>
Cash and Cash Equivalents - June 30, 2012	<u>\$ 3,456,126</u>	<u>\$ 1,625,705</u>	<u>\$ 2,209,238</u>
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</u>			
Cash and investments	\$ -	\$ 259,580	\$ 2,092,781
Restricted cash and investments	<u>3,456,126</u>	<u>1,366,125</u>	<u>116,457</u>
Cash and Cash Equivalents - June 30, 2012	<u>\$ 3,456,126</u>	<u>\$ 1,625,705</u>	<u>\$ 2,209,238</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Airport</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers	\$ 544,404	\$ 742,499	\$ 7,493,437
Cash paid to suppliers	(218,029)	(462,836)	(3,496,031)
Cash paid to employees	(98,484)	(70,202)	(1,116,173)
Net Cash Provided by Operating Activities	<u>227,891</u>	<u>209,461</u>	<u>2,881,233</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>			
Due (to) from other funds	<u>54,093</u>	<u>-</u>	<u>153,326</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Acquisition of capital assets	-	(150,783)	(1,726,850)
Principal paid on capital debt	(8,567)	-	(40,120)
Interest paid on capital debt	(864)	-	(75,201)
Net Cash Used for (Provided by) Capital and Related Financing Activities	<u>(9,431)</u>	<u>(150,783)</u>	<u>(1,842,171)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest and dividends	<u>712</u>	<u>3,996</u>	<u>26,406</u>
Net Increase in Cash and Cash Equivalents	273,265	62,674	1,218,794
Cash and Cash Equivalents - July 1, 2011	<u>-</u>	<u>1,501,720</u>	<u>7,909,934</u>
Cash and Cash Equivalents - June 30, 2012	<u>\$ 273,265</u>	<u>\$ 1,564,394</u>	<u>\$ 9,128,728</u>
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</u>			
Cash and investments	\$ -	\$ 1,434,352	\$ 3,786,713
Restricted cash and investments	<u>273,265</u>	<u>130,042</u>	<u>5,342,015</u>
Cash and Cash Equivalents - June 30, 2012	<u>\$ 273,265</u>	<u>\$ 1,564,394</u>	<u>\$ 9,128,728</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Water</u>	<u>Beach Drive Treatment Facility</u>	<u>NW Wastewater Treatment Facility</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>			
Operating Income (Loss)	\$ 433,416	\$ 715,028	\$ (173,167)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	563,749	155,296	440,674
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	29,831	(67,763)	20,965
Decrease in inventory	-	-	-
Increase (decrease) in accounts payable	382,279	(7,517)	(27,974)
(Decrease) increase in unearned revenue	-	(1,674)	-
Decrease in deposits payable	(24,116)	-	-
(Decrease) increase in accrued wages	(1,672)	(758)	(511)
Increase (decrease) in compensated absences	<u>3,925</u>	<u>3,978</u>	<u>(108)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,387,412</u>	<u>\$ 796,590</u>	<u>\$ 259,879</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Airport	Other Enterprise Funds	Totals
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>			
Operating Income (Loss)	\$ (320,839)	\$ 138,375	\$ 792,813
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	260,289	46,016	1,466,024
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	18,786	101,758	103,577
Decrease in inventory	37,475	-	37,475
Increase (decrease) in accounts payable	(35,022)	99,441	411,207
(Decrease) increase in unearned revenue	267,188	(174,380)	91,134
Decrease in deposits payable	(625)	-	(24,741)
(Decrease) increase in accrued wages	343	(499)	(3,097)
Increase (decrease) in compensated absences	296	(1,250)	6,841
Net Cash Provided by Operating Activities	\$ 227,891	\$ 209,461	\$ 2,881,233

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Private- Purpose Trust Fund</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and investments (Note 2)	\$ 1,216,942	\$ 2,206,946
Accounts receivable	208,508	246
Interest receivable	-	831
Restricted cash and investments (Note 2)	<u>-</u>	<u>2,133,670</u>
Total Assets	<u>\$ 1,425,450</u>	<u>\$ 4,341,693</u>
<u>LIABILITIES</u>		
Accounts payable and other liabilities	\$ 420,353	\$ 31,030
Funds held in trust	<u>-</u>	<u>4,310,663</u>
Total Liabilities	<u>\$ 420,353</u>	<u>\$ 4,341,693</u>
<u>NET ASSETS</u>		
Held in trust for private purposes	<u>\$ 1,005,097</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Private- Purpose Trust Fund
<u>ADDITIONS</u>	
Taxes and assessments	\$ 166,693
Interest income	<u>1,751</u>
Total Additions	<u>168,444</u>
<u>DEDUCTIONS</u>	
Operating costs	<u>383,411</u>
Total Deductions	<u>383,411</u>
Extraordinary gain due to dissolution of redevelopment agency (Note 18)	<u>1,220,064</u>
Change in Fiduciary Net Assets	1,005,097
Fiduciary Net Assets - July 1, 2011	<u>-</u>
Fiduciary Net Assets - June 30, 2012	<u>\$ 1,005,097</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rio Vista (the "City") was incorporated in 1893, as a municipal corporation under the laws and regulations of the State of California. The City operates under a City Manager-Council form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities, transit, and airport.

The financial statements and accounting policies of the City 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. Significant accounting policies are summarized below:

A. The Reporting Entity

The accompanying basic financial statements present the financial activities of the City along with the financial activities of its blended component units, which are entities for which the City is financially accountable. Together these entities comprise the primary government for reporting purposes. Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. The City's component units, which are described below, are all blended.

City of Rio Vista Redevelopment Agency

The City of Rio Vista Redevelopment Agency (the "Redevelopment Agency") was formed as a separate legal entity under the Community Redevelopment Law. The City Council acts as the governing board of the Redevelopment Agency in concurrent session. The City Manager acts as the Redevelopment Agency's Executive Director. The annual budget is approved by the Redevelopment Agency's Board of Directors. The State's redevelopment process provides communities at a local level with a comprehensive tool for economic development. These tools are the powers of land assembly and site preparation for private development, the ability to finance necessary public improvements, the authority to impose conditions and restrictions for the quality of developments of an area, and the capability to broaden financing capabilities utilizing a variety of public and private sources. The major source of financing to undertake redevelopment is a "tax increment." Tax increment is the additional property taxes that are paid on the value of new development within the redevelopment project area. This increment can then be leveraged for financial investments to fund the identified projects. The redevelopment and low/moderate income housing programs of the Redevelopment Agency are reported as special revenue funds. The Redevelopment Agency has one project area. During the current year, redevelopment agencies in California were dissolved. See footnote 18 for more information. No separate financial statements were issued for the Agency.

City of Rio Vista Public Financing Authority

The City of Rio Vista Public Financing Authority (the "Authority") was formed as a joint powers authority between the City and the Redevelopment Agency to serve as a financing mechanism of various capital projects. The City Council acts as the governing board in a concurrent session, as necessary. The bond issuance authorizations are approved by the City's Council and the legal liability for the Authority's debt remains with the City. The Authority provides services solely for the benefit of the City and is presented as a debt service fund. No separate financial statements are issued for the Authority.

B. Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These standards require that the financial statements described below be presented.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include the activities of the overall City government except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between governmental and business-type activities of the City. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental 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 of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories with each major fund displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

All remaining governmental funds are aggregated and reported as nonmajor funds in a single column, regardless of their fund type.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Fund - Debt Service Funds are used to account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Project Funds - Capital Project Funds are used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (not included in government-wide statements)

Agency Funds - Agency Funds are clearing type funds for the collection of taxes or deposits held in trust, on behalf of individuals, private organizations and other governments. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-Purpose Trust Funds - Private Purpose Trust Funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Major Funds

The City reported the following major governmental funds in the accompanying financial statements:

General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. For the City, the general fund includes such activities such as public safety, public ways and facilities, parks and recreation services, and economic development services.

Community Development Block Grant Fund - This fund is used to account for community development block grants that the City has been awarded and income received from loans granted to participants. The funds are primarily used for local home improvements and public infrastructure enhancements.

Capital Projects Fund - This fund is used to account for the City's major capital projects.

The City reports the following major proprietary funds in the accompanying financial statements:

Water Fund - This fund accounts for all financial transactions relating to the City's water resources.

Beach Drive Treatment Facility Fund - This fund accounts for the cost of providing services to residents and businesses connected to the Beach Drive Sewer Facility.

NW Wastewater Treatment Facility Fund - This fund accounts for the cost of providing services to residents and businesses connected to the Northwest Sewer Facility.

Airport Fund - This fund accounts for all financial transactions relating to the City's airport operations.

The City also reports the following fund types:

Agency Funds - These funds are custodial in nature and do not involve measurement of the results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds account for assets held by the City as an agent for other governmental units or individuals.

Private-Purpose Trust Fund - This fund was created as a result of the State order to dissolve California Redevelopment Agencies. As the Successor Agency, this fund is used to track the activity by the Oversight Board and the Department of Finance to dissolve the Agency.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item "b" below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and all liabilities (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net assets.
- c. As agency funds report only assets and liabilities, they do not have a measurement focus. However, they use the accrual basis of accounting to recognize receivables and payables. The "economic resources" measurement focus and the accrual basis of accounting is used for trust funds.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. In addition, all fiduciary funds use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City defines available to be within 60 days of year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds for governmental long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services. Certain indirect costs are included in program expenses reported for individual functions and activities.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets are available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

The City follows Statements and Interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, which do not conflict with Government Accounting Standards Board Pronouncements.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. The principal operating revenues of the sewer and transit enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Property Taxes

The County of Solano levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year or levy, due to the adoption of the "alternate method of property tax distribution", known as the Teeter Plan, by the City and the County of Solano. The Teeter Plan authorizes the Auditor/Controller of the County of Solano to allocate 100% of the secured property taxes billed, but not yet paid. The County of Solano remits tax monies to the City in two installments as follows:

50% remitted in December
45% remitted in April
5% remitted in June

Tax collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments; the first is due November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on February 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the tax becomes delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payment.

Property valuations are established by the Assessor of the County of Solano for the secured and unsecured property tax rolls. Under the provisions of Article XIII A of the State Constitution, properties are assessed at 100% of purchase price or value in 1978 whichever is later. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax levy dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property, as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

E. Cash and Investments

The City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on month-end balances and is adjusted at fiscal year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

The City's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. LAIF determines the fair value of their portfolio quarterly and reports a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. This amount is included in cash and cash equivalents in the balance sheet of the governmental funds. Changes in fair value are allocated to each participating fund.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted non-pooled investments with initial maturities of three months or less.

F. Accounts and Interest Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines and other fees. Federal and state grants are considered receivable and accrue as revenue when reimbursable costs are incurred. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Long-term loans in governmental funds are treated as expenditures in the year advanced and as revenues in the year repayment is measurable and available. Loans receivable are recorded in the fund statements, but are deferred to indicate they do not represent current financial resources. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables.

G. Prepaid Expenses and Inventory

Inventories are stated at cost (average cost per unit) for governmental and proprietary funds. The cost is recorded as an expenditure/expense in the funds at the time individual inventory items are consumed, rather than purchased. Inventories of governmental funds are offset by nonspendable fund balance to indicate they do not constitute resources available for future appropriation.

Prepaid items are also recognized under the consumption method. Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

H. Capital Assets

The accounting treatment over property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

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 City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Assets acquired with grant funds may be capitalized even though their individual cost is less than \$5,000.

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 purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. The City has assigned the useful lives listed below to capital assets:

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Buildings and improvements	10-100 years
Equipment and machinery	5 - 20 years
Vehicles	5 - 12 years
Runways	50 years
Infrastructure	50 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of debt financed capital assets of business-type activities is included as part of the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Compensated Absences

City employees are granted vacation and sick days in varying amounts based on classification and length of service. Upon termination or retirement, the City is to pay 100% of vacation and 50% of sick time accrued up to a maximum of 60 days, after three years of service. The City's liability for compensated absences is recorded at the City-wide level in the Statement of Net Assets for Governmental Activities or in the Proprietary funds as appropriate. The liability for compensated absences is determined annually, however such compensated absences payments are not distinguished from regular payroll paid during the fiscal year.

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

J. Long Term Liabilities

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term liabilities, and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Initial issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs, including deferred refunding amounts and underwriters' discounts, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

L. Equity Classifications

Government-wide Statements

Net assets are the excess of all the City's assets over all its liabilities, regardless of fund. Net assets are divided into three categories under GASB Statement 34. These categories apply only to net assets, which is determined at the Government-wide level, and are described below:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- a. Nonspendable - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted - Amounts that are restricted for specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- c. Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- d. Assigned - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed.
- e. Unassigned - Amounts representing the residual classification for the general fund and residual negative fund balance of special revenue and capital project funds.

Further detail about the City's fund balance classification is described in Note 10.

M. Use of Estimates

The preparation of financial statements in accordance 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 these estimates.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Reclassifications

Certain accounts in prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

O. Future Government Accounting Standards Board Statements

These statements are not effective until June 30, 2013 or later. The City has not determined the effects on the financial statements.

Government Accounting Standards Board Statement No. 60

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

Government Accounting Standards Board Statement No. 61

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

Government Accounting Standards Board Statement No. 62

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

Government Accounting Standards Board Statement No. 63

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

Government Accounting Standards Board Statement No. 64

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Accounting Standards Board Statement No. 65

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

Government Accounting Standards Board Statement No. 66

In March 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

Government Accounting Standards Board Statement No. 67

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for City's fiscal year ending June 30, 2014.

Government Accounting Standards Board Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2012 were classified in the accompanying financial statements as follows:

	<u>Cash and Investments</u>	<u>Restricted Cash and Investments</u>	<u>Total</u>
Governmental activities	\$ 4,949,511	\$ 13,697	\$ 4,963,208
Business-type activities	<u>3,786,713</u>	<u>5,342,015</u>	<u>9,128,728</u>
Total government-wide cash and investments	<u>8,736,224</u>	<u>5,355,712</u>	<u>14,091,936</u>
Fiduciary activities	<u>3,423,888</u>	<u>2,133,670</u>	<u>5,557,558</u>
Total cash and investments	<u>\$ 12,160,112</u>	<u>\$ 7,489,382</u>	<u>\$ 19,649,494</u>

Cash and investments were carried at fair value as of June 30, 2012 and consisted of the following:

Cash and Investments

Deposits:

Cash on hand	\$ 400
Cash in banks	<u>3,430,363</u>

Total cash 3,430,763

Money market funds	7,489,382
Local Agency Investment Fund (LAIF)	<u>8,729,349</u>

Total investments 16,218,731

Total cash and investments \$ 19,649,494

Authorized Investments of the City

The table below identifies the investment types that are authorized by the City's investment policy. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in one Issuer</u>
U.S. Treasury Bills, Notes and Bonds	(A)	N/A	No Limit	No Limit
U.S. Government-Sponsored Enterprise Agencies:				
Government National Mortgage Association	5 years	N/A	No Limit	No Limit
Federal National Mortgage Association	5 years	N/A	No Limit	No Limit
Federal Home Loan Mortgage Corporation	5 years	N/A	No Limit	No Limit
Federal Home Loan Bank	5 years	N/A	No Limit	No Limit
Certificates of Deposit	5 years	N/A	50%	(B)
Medium-Term Notes	5 years	A	50%	No Limit
California Local Agency Investment Fund	N/A	N/A	No Limit	\$40,000,000 per account
Passbook Savings Account Demand Deposits	N/A	N/A	No Limit	No Limit

(A) Maximum maturities of 5 years or greater with specific City Council approval

(B) \$100,000 unless collateralized by eligible securities as provided by California Governmental Code Sections 53651 and 53652.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments with fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations	None	N/A
U.S. Agency Obligations	None	N/A
U.S. Government-Sponsored Agency Obligations	None	N/A
State Obligations:		
General Obligation	None	A
General Short-Term Obligation	None	A-1+
Special Revenue Bonds	None	AA
Pre-Refunded Municipal Obligation	None	AAA
Unsecured Certificates of Deposit	30 days	A-1
FDIC-Insured Deposit	None	N/A
Repurchase Agreements	None	A
Commercial Paper	270 Days	Three highest categories
Bankers' Acceptances	(A)	A-1
Money Market Mutual Funds	None	Three highest categories
Investment Agreement	None	N/A
Tax-Exempt Obligations	None	Three highest categories
State of California- Local Agency Investment Fund	None	N/A

(A) Maximum maturity is 30 days for all debt issues except the Community Facilities District No. 2006-1, which permits a maximum of up to 270 days.

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity as of June 30, 2012:

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Money market funds	\$ 5,244,909	\$ -	\$ 5,244,909
Local Agency Investment Fund	8,729,349	-	8,729,349
Held by bond trustee:			
Money market funds	<u>2,244,473</u>	-	<u>2,244,473</u>
	<u>\$ 16,218,731</u>	<u>\$ -</u>	<u>\$ 16,218,731</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City had no investments (including investments held by bond trustees) that were highly sensitive to interest rate fluctuations as of June 30, 2012.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year for each investment type.

	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Money market funds	\$ 5,244,909			Not rated
Local Agency Investment Fund	8,729,349			Not rated
Held by bond trustee:				
Money market funds	<u>2,244,473</u>	AAAm	Aaa	
	<u>\$ 16,218,731</u>			

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by the LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2012, the carrying amount of the City's deposits was \$3,430,363 and bank balances were \$3,491,940.

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated monthly based on the ending cash balances of the previous month in each fund receiving interest.

NOTE 3: NOTES AND LOANS RECEIVABLE

The City has engaged in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners who agree to spend these funds in accordance with the City's terms. The balances of these loans arising from these programs at June 30, 2012 were \$140,103. The loans have varying maturity dates and interest rates, depending on loan agreements. The balance of the notes receivable have been offset in the fund financial statements by deferred revenue as they are not deemed measurable and available within 60 days, except for those loans that have current payment activity.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4: INTERFUND TRANSACTIONS

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Capital Projects	Overdrawn cash balances	\$ 260,590
	Water	Overdrawn cash balances	260,739
	Airport	Overdrawn cash balances	103,399
	Sewer Construction	Overdrawn cash balances	<u>129,006</u>
Total Due to/From			\$ <u>753,734</u>

Advances to/from Other Funds

The composition of interfund balances as of June 30, 2012 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Army Base	\$ 172,799
General Fund	Airport	801,656
General Fund	Beach Drive Treatment	44,238
General Fund	NW Wastewater Treatment	<u>44,239</u>
Total Governmental Major Fund Advances		<u>1,062,932</u>
Parks and Recreation	Beach Drive Treatment	50,000
Parks and Recreation	NW Wastewater Treatment	50,000
Municipal Improvement	Airport	153,507
Municipal Improvement	Beach Drive Treatment	1,133,224
Municipal Improvement	NW Wastewater Treatment	<u>1,133,224</u>
Total Governmental Non-Major Fund Advances		<u>2,519,955</u>
Water	Airport	38,704
Water	Beach Drive Treatment	200,000
Water	NW Wastewater Treatment	200,000
Beach Drive Treatment	Airport	<u>38,705</u>
Total Proprietary Major Fund Advances		\$ <u>477,409</u>

The General Fund loaned the Airport Enterprise Fund \$489,842, \$300,600 and \$11,214 in fiscal 2005, 2006, and 2007 respectively. The General Fund also loaned the Army Base Reuse Capital Project Fund \$146,893 in fiscal year 2007, \$17,653 in fiscal year 2008 and an additional \$8,253 in fiscal year 2009. Payment on both of the loans is not expected in fiscal 2013.

The Beach Drive Treatment Facility and NW Wastewater Treatment Facility Enterprise Funds borrowed from the General Fund, Redevelopment Agency Low/Mod Housing Special Revenue Fund, Municipal Improvements Capital Project Fund, Parks and Recreation Capital Project Fund, and Water Enterprise Fund the amounts of \$88,476, \$164,011, \$600,000, \$100,000, and \$400,000, respectively, during fiscal year 2007. These same entities borrowed an additional \$870,918 from the Municipal Improvements Capital Project Fund during fiscal year 2008, and borrowed an additional \$795,529 from the Municipal Improvements Capital Project Fund during fiscal year 2009. With the exception of the Redevelopment Agency Low/Mod Housing Special Revenue Fund, payment on all of the loans is not expected in fiscal 2013. Additional information regarding the dissolution of California Redevelopment Agencies can be found in Note 18.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4: INTERFUND TRANSACTIONS (CONTINUED)

In March 1993, the Water Construction and Beach Drive Treatment Facility Enterprise Funds loaned a total of \$450,000 to the Redevelopment Agency to be used as a percentage match for the airport relocation costs not covered by a Federal grant. The loan had a 25-year term with an interest rate of 6% and annual principal and interest payments of \$34,972 were to be made from tax increment revenues through 2018. The Redevelopment Agency ceased to exist during fiscal year 2012 and additional information regarding the dissolution of California Redevelopment Agencies can be found in Note 18.

The Water and Beach Drive Treatment Facility Enterprise Funds also loaned the Airport Enterprise Fund \$219,000 in June 1991. City Council approved a simple interest accrual at 4% from 1991 through June 30, 2004. Terms call for annual installment payments of \$41,041 beginning June 30, 2004 including interest at 4% on the outstanding balance. The final payment was due on June 30, 2013; however no payments were made in fiscal 2012, potentially extending the final payment date. The balance of the loan remained at \$77,409 at June 30, 2012.

The Airport Enterprise Fund borrowed \$153,507 from the Municipal Improvement Capital Project Fund during fiscal year 2008. Payment on the loan is not expected in fiscal 2013.

Interfund Transfers to/from Other Funds

Transfers between funds during the fiscal year ended June 30, 2012 were as follows:

<u>Transfer from</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
Municipal Improvement	General Fund	Debt service	\$ 76,833
Landfill Closure	General Fund	Excess landfill reserves	<u>150,000</u>
		Total Interfund Transfers	\$ <u>226,833</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5: CAPITAL ASSETS

Governmental activities:

	<u>Balance at July 1, 2011</u>	<u>Prior Period Restatement</u>	<u>Balance at July 1, 2011, Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2012</u>
Capital assets not being depreciated							
Land	\$ 1,968,598	\$ -	\$ 1,968,598	\$ -	\$ -	\$ -	\$ 1,968,598
Construction-in-progress	<u>379,605</u>	<u>(188,748)</u>	<u>190,857</u>	<u>226,726</u>	<u>(46,851)</u>	<u>(36,418)</u>	<u>334,314</u>
Total capital assets not being depreciated	<u>2,348,203</u>	<u>(188,748)</u>	<u>2,159,455</u>	<u>226,726</u>	<u>(46,851)</u>	<u>(36,418)</u>	<u>2,302,912</u>
Capital assets being depreciated							
Buildings and improvements	4,986,865	(145,805)	4,841,060	-	-	-	4,841,060
Vehicles	946,394	665,842	1,612,236	254,993	-	-	1,867,229
Machinery and equipment	1,618,236	(671,842)	946,394	120,137	-	-	1,066,531
Infrastructure	<u>3,626,495</u>	<u>145,804</u>	<u>3,772,299</u>	<u>-</u>	<u>-</u>	<u>36,418</u>	<u>3,808,717</u>
Total capital assets being depreciated	<u>11,177,990</u>	<u>(6,001)</u>	<u>11,171,989</u>	<u>375,130</u>	<u>-</u>	<u>36,418</u>	<u>11,583,537</u>
Less accumulated depreciation							
Buildings and improvements	(2,199,096)	(23,697)	(2,222,793)	(177,546)	-	-	(2,400,339)
Vehicles	(730,029)	(642,182)	(1,372,211)	(89,530)	-	-	(1,461,741)
Machinery and Equipment	(1,455,711)	633,612	(822,099)	(46,799)	-	-	(868,898)
Infrastructure	<u>(356,197)</u>	<u>23,699</u>	<u>(332,498)</u>	<u>(120,194)</u>	<u>-</u>	<u>-</u>	<u>(452,692)</u>
Total accumulated depreciation	<u>(4,741,033)</u>	<u>(8,568)</u>	<u>(4,749,601)</u>	<u>(434,069)</u>	<u>-</u>	<u>-</u>	<u>(5,183,670)</u>
Total capital assets, net	<u>\$ 8,785,160</u>	<u>\$ (203,317)</u>	<u>\$ 8,581,843</u>	<u>\$ 167,787</u>	<u>\$ (46,851)</u>	<u>\$ -</u>	<u>\$ 8,702,779</u>

Depreciation was charged to functions based on their usage of the related assets as follows:

Governmental Activities:

General administration	\$ 60,149
Public safety	144,835
Parks and recreation	100,969
Development	300
Public works	<u>127,816</u>
Total governmental activities depreciation expense	<u>\$ 434,069</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5: CAPITAL ASSETS (CONTINUED)

Business-type activities:

	<u>Balance at July 1, 2011</u>	<u>Prior Period Restatement</u>	<u>Balance at July 1, 2011, Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2012</u>
Nondepreciable assets:						
Land	\$ 433,497	\$ -	\$ 433,497	\$ -	\$ -	\$ 433,497
Construction-in-progress	<u>159,880</u>	<u>-</u>	<u>159,880</u>	<u>1,576,065</u>	<u>(18,132)</u>	<u>1,717,813</u>
Total nondepreciable assets	<u>593,377</u>	<u>-</u>	<u>593,377</u>	<u>1,576,065</u>	<u>(18,132)</u>	<u>2,151,310</u>
Capital assets being depreciated						
Buildings and improvements	53,982,051	13,200	53,995,251	-	-	53,995,251
Runways	10,796,860	(13,050)	10,783,810	-	-	10,783,810
Machinery and equipment	1,624,757	(61,087)	1,563,670	-	-	1,563,670
Vehicles	272,379	61,087	333,466	150,785	-	484,251
Infrastructure	<u>6,819,212</u>	<u>(150)</u>	<u>6,819,062</u>	<u>-</u>	<u>-</u>	<u>6,819,062</u>
Total capital assets being depreciated	<u>73,495,259</u>	<u>-</u>	<u>73,495,259</u>	<u>150,785</u>	<u>-</u>	<u>73,646,044</u>
Less accumulated depreciation						
Buildings and improvements	(7,756,308)	(115,621)	(7,871,929)	(963,108)	-	(8,835,037)
Runways	(3,659,157)	115,621	(3,543,536)	(236,275)	-	(3,779,811)
Machinery and equipment	(1,265,784)	48,838	(1,216,946)	(75,283)	-	(1,292,229)
Vehicles	(84,222)	(48,837)	(133,059)	(35,880)	-	(168,939)
Equipment	<u>(422,532)</u>	<u>255</u>	<u>(422,277)</u>	<u>(155,478)</u>	<u>-</u>	<u>(577,755)</u>
Total accumulated depreciation	<u>(13,188,003)</u>	<u>256</u>	<u>(13,187,747)</u>	<u>(1,466,024)</u>	<u>-</u>	<u>(14,653,771)</u>
Total capital assets, net	<u>\$ 60,900,633</u>	<u>\$ 256</u>	<u>\$ 60,900,889</u>	<u>\$ 260,826</u>	<u>\$ (18,132)</u>	<u>\$ 61,143,583</u>

Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

Water	\$ 563,749
Beach Drive Treatment Facility	155,296
NW Wastewater Treatment Facility	440,674
Airport	260,289
Business Park	13,616
Transit	<u>32,400</u>
Total business-type activities depreciation expense	<u>\$ 1,466,024</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2012:

	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Current Portion</u>
Governmental activities:					
Compensated absences	\$ 233,020	\$ 74,424	\$ (77,746)	\$ 229,698	\$ 45,493
1977 Firehouse General Obligation Bonds	171,000	-	(20,000)	151,000	21,000
Fire Truck Capital Lease	<u>143,535</u>	<u>-</u>	<u>(70,130)</u>	<u>73,405</u>	<u>73,405</u>
Total Governmental activities	<u>\$ 547,555</u>	<u>\$ 74,424</u>	<u>\$ (167,876)</u>	<u>\$ 454,103</u>	<u>\$ 139,898</u>
	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Current Portion</u>
Business-type activities:					
Compensated absences	\$ 51,763	\$ 28,735	\$ (21,894)	\$ 58,604	\$ 17,718
2000 Water and Wastewater Revenue Bonds	1,260,000	-	(35,000)	1,225,000	40,000
Airport Hangar Capital Lease	17,619	-	(8,567)	9,052	9,052
Less: unamortized discounts	<u>(65,497)</u>	<u>-</u>	<u>3,447</u>	<u>(62,050)</u>	<u>-</u>
Total Business-type activities	<u>\$ 1,263,885</u>	<u>\$ 28,735</u>	<u>\$ (62,014)</u>	<u>\$ 1,230,606</u>	<u>\$ 66,770</u>

A description of the long-term liabilities related to governmental activities at June 30, 2012 follows:

A. Governmental Activities

1977 Firehouse General Obligation Bonds

In 1977, the City issued \$420,000 General Obligation Bonds (1977 Bonds) to construct a firehouse. The 1977 Bonds, bear interest at 5.5%-6.375%. Principal payments are due annually on September 1. Interest payments are due semi-annually on March 1 and September 1.

Fire Truck Capital Lease

On May 8, 2007, the City entered into a lease agreement in the amount of \$394,131 at 4.67% interest with Oshkosh Capital to finance the purchase of a fire truck. Annual principal and interest payments of \$76,833 are due through May 21, 2013. The fire truck is included in capital assets at \$103,225, net of accumulated depreciation of \$290,906.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

Governmental Activities Long-Term Liabilities Amortization:

2012 Governmental Activities			
For the Year Ending June 30	Principal	Interest	Total
2013	\$ 94,405	\$ 12,337	\$ 106,742
2014	23,000	7,528	30,528
2015	24,000	6,047	30,047
2016	26,000	4,462	30,462
2017	28,000	2,742	30,742
Thereafter	<u>29,000</u>	<u>925</u>	<u>29,925</u>
Total	\$ <u>224,405</u>	\$ <u>34,041</u>	\$ <u>258,446</u>

A description of the long-term liabilities related to business-type activities at June 30, 2012 follows:

B. Business-type Activities

2000 Water and Wastewater Revenue Bonds

On April 4, 2000, the City issued Water and Wastewater Revenue Bonds (2000 Bonds) to provide for capital improvements and refund the 1989 Sewer Revenue Bonds. Interest is payable on April 1 and October 1 and principal is payable annually on October 1. The 2000 Bonds are secured by a pledge of net revenues from the Sewer Enterprise Fund.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay the 2000 Bonds through October 1, 2030. The minimum coverage of net revenues over debt service required in the bond indenture is 120%; however, the coverage for the year ended June 30, 2012 was 825%.

1998 Airport Hangar Capital Lease

In 1998, the City leased a prefabricated airplane hangar with an option to purchase the hangar at residual value at the end of the lease. Annual principal and interest payments of \$9,430 are made from airport revenues through 2013. The present value of the total of the lease payments is recorded as long-term debt. The airport hangar is included in capital assets at \$68,608, net of accumulated amortization of \$26,461.

Business-Type Long-Term Liabilities Amortization

2012 Business-Type Activities			
For the Year Ending June 30	Principal	Interest	Total
2013	\$ 49,052	\$ 69,347	\$ 118,399
2014	40,000	66,838	106,838
2015	40,000	64,638	104,638
2016	45,000	62,300	107,300
2017	45,000	59,825	104,825
2018 - 2022	275,000	255,134	530,134
2023 - 2027	370,000	162,968	532,968
2028 - 2033	<u>370,000</u>	<u>44,370</u>	<u>414,370</u>
Total	\$ <u>1,234,052</u>	\$ <u>785,420</u>	\$ <u>2,019,472</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7: SPECIAL ASSESSMENT DEBT

Special assessment bonds have been issued pursuant to the provisions of the Improvement Bond Acts of 1915. The City is in no way liable for repayment of any bonds of the funds related to the Agency funds, according to bond counsel, but is acting only as an agent for the property owners/bond holders in collecting and forwarding the special assessments. Balances of the various assessment district bonds at June 30, 2012 were as follows:

Community Facilities District No. 2004-1	\$ 14,255,000
Community Facilities District No. 2006-1	14,175,000
Reassessment District No. 2007-1R Refunding Bonds	1,182,900
Total Special Assessment Debt	\$ 29,612,900

NOTE 8: DEFINED BENEFIT PENSION PLAN

Plan Description

The City contributes to the California Public Employees Retirement Systems (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS annual financial report may be obtained from their executive office at 400 Q Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account, totaled \$110,549 for the year ended June 30, 2012. The City's employer required contributions rate for Safety employees was 36.196% and for Miscellaneous employees was 19.208% for the fiscal year.

Annual Pension Cost

For the fiscal year ended June 30, 2012, the City's annual pension cost (employer contribution) of \$527,539 for safety and miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.55 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). The PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. PERS has combined the prior service unfunded liability and current service unfunded liability into a single initial unfunded liability. The average remaining amortization period as of June 30, 2010 was 15 years for safety employees and 18 years for miscellaneous employees for prior and current service funded liability.

Three Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 338,484	100%	-
2011	\$ 366,710	100%	-
2012	\$ 527,539	100%	-

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Status as of the Most Recent Actuarial Date

The City retirement plans for the miscellaneous and safety employees are parts of the CalPERS risk pool for cities and other governmental entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, stand alone information of the schedule of funding progress for the City's miscellaneous and safety employees is no longer available.

Miscellaneous Plan and Safety Side Funds

In July 2005, the City's Miscellaneous and Safety Plans were terminated, and the employees in those plans were required by CalPERS to join new State-wide pools. One of the conditions of entry to these pools was that the City true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CalPERS. The City satisfied its Miscellaneous Plan and Safety Plan unfunded liabilities by agreeing to contribute to the side funds through an addition to its normal contribution rates over the next 4 and 6 years, respectively. The balance of the Miscellaneous Plan side fund was \$399,634 at June 30, 2012. The balance of the Safety Plan side fund was \$944,483 at June 30, 2012.

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB)

Description of the Plan

The City provides health care benefits for all retired employees based on retirement age of 50 for safety employees and 55 for all other employees, with 15 years of continuous service. These retirees receive one year of fully paid City health, dental and eye care coverage. If the retiree becomes eligible for Medicare, these benefits are integrated with the Medicare plan. After one year period, a retired full time City employee is permitted to participate in the City health, dental and eye care program, provided, however, that said retiree pay his or her entire premium, and that if eligible for Medicare that said benefits be integrated with said Medicare plan. As an exception to the City's OPEB benefit plan, the City approved a retirement plan with a retired employee, which grants full health, dental and eye care benefits to the retired employee for his life time.

Funding Policy

As of June 30, 2010, the most recent actuarial valuation date, the funding status of the plan, was as follows:

Actuarial accrued liability (AAL)	\$	548,759
Actuarial value of assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	548,759
Funded ratio		0 %
Covered payroll	\$	2,045,769
UAAL as a percentage of covered payroll		26.82 %

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2012, the City's annual cost for the healthcare plan was \$75,267. The City's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2012 were as follows:

Annual required contribution				
Service cost at year-end		\$	51,063	
30-year amortization of funded liability			<u>24,858</u>	
 Total annual required contribution			 <u>75,921</u>	
 Interest on net OPEB obligation			4,935	
Adjustment to net OPEB obligation			<u>(5,589)</u>	
 Total annual OPEB cost			 <u>75,267</u>	
 Employer contributions			(12,768)	
Net pension obligation, July 1, 2011			<u>123,383</u>	
 Net pension obligation, June 30, 2012		\$	 <u>185,882</u>	

<u>Year Ended</u>	<u>Annual OPEB cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB</u>
June 30, 2010	\$ 75,267	\$ 14,181	19 %	\$ 61,086
June 30, 2011	\$ 77,710	\$ 15,413	20 %	\$ 123,383
June 30, 2012	\$ 75,267	\$ 12,768	17 %	\$ 185,882

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on the values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because 2009 was the year of implementation of GASB Statement No. 45 and the City elected to apply the statement prospectively, only the most recent actuarial plan data is presented. In future years, required trend data will be presented.

Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The annual required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) salary increases of 2% per year; (b) a discount rate of 4%; (c) assumed retirement age of 64; (d) medical premium inflation rates ranging from 4% to 6% over time. The actuarial present value of future benefits was calculated for each individual using the economic assumptions and specific member data, then aggregated. The amortization component of the unfunded actuarial accrued liability was based on a 30-year amortization period.

NOTE 10: FUND BALANCE

The City of Rio Vista has established the following fund balance policies:

Committed Fund Balance: Only the City Council may have the authority to create or change a fund balance commitment. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally.

Assigned Fund Balance: Intent is expressed by the City Council or the City Manager to which the City Council has delegated authority to assign amounts to be used for specific purposes.

The accounting policies of the City consider restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, and unassigned amounts.

As of June 30, 2012, fund balances consisted of the following:

	Major Governmental Funds			Non-Major Funds	Total
	<u>General Fund</u>	<u>CDBG Grant</u>	<u>Capital Projects</u>		
Nonspendable:					
Prepays and supplies	\$ 16,710	\$ -	\$ -	\$ 523	\$ 17,233
Advances	1,062,932	-	-	-	1,062,932
Restricted:					
Economic Development	-	-	-	204,125	204,125
Debt Service	-	-	-	77,522	77,522
Streets and Capital Projects	-	-	-	526,245	526,245
Community Development	-	654,282	-	134,213	788,495
Public Safety	-	-	-	507,735	507,735
Committed:					
Vehicle Replacement	-	-	-	52,073	52,073
Assigned:					
Storm Drain Projects	-	-	-	169,027	169,027
Road Way Impact	-	-	-	523,834	523,834
Municipal Improvement	-	-	-	3,309,077	3,309,077
Hazardous Waste	-	-	-	185,498	185,498
Landfill closure	-	-	-	254,373	254,373
Parks and Recreation	-	-	-	538,697	538,697
Unassigned	<u>1,008,667</u>	<u>-</u>	<u>(156,936)</u>	<u>(107,294)</u>	<u>744,437</u>
Total	<u>\$ 2,088,309</u>	<u>\$ 654,282</u>	<u>\$ (156,936)</u>	<u>\$ 6,375,648</u>	<u>\$ 8,961,303</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11: RISK MANAGEMENT

Coverage

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 workers' 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 per claim for general liability claims. The City's self-insured retention is \$100,000 for worker's compensation claims. Once the City's self-insured retention for claims is met, NCCSIF becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2012, the City contributed \$50,988 for current year premiums.

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

The City also has commercial policies which provide commercial property and airport liability coverage up to a maximum of \$16.1 million and \$5 million, respectively, per claim. The City has a deductible or uninsured liability of \$1,000 per claim for the commercial property coverage and no deductible for airport liability coverage.

Liability for Uninsured Claims

Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonable determinable. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured, portion of these claims. Settlements have not exceeded insurance coverage for the past three fiscal years.

The City's liability for uninsured claims at June 30 was estimated by management based on claims experience during the fiscal year and was computed as follows:

	June 30,		
	2012	2011	2010
Balance at beginning of year	\$ 130,114	\$ 130,114	\$ 130,114
Addition	66,483	35,319	33,310
Deletion	(66,483)	(35,319)	(33,310)
Balance at end of year	\$ 130,114	\$ 130,114	\$ 130,114

NOTE 12: EXCESS EXPENDITURES AND TRANSFERS OVER APPROPRIATIONS

The following funds incurred expenditures and/or transfers (excluding extraordinary losses) in excess of appropriations in the following amounts for the year ended June 30, 2012:

Fund	Final Budget	Actual	Variance
Community Development Block Grant	\$ 11,859	\$ 30,011	\$ 18,152
Capital Projects	403,800	629,799	225,999
Developers Revolving	12,500	21,268	8,768

The excess expenditures were covered by available fund balance in the funds.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 13: DEFICIT FUND BALANCES AND NET ASSETS

As of June 30, 2012, the following funds had a fund deficit:

Fund	Deficit
Capital Projects	\$ 156,936
Army Base Reuse	107,294

These deficits were a result of expenditures incurred in advance of receipt of revenue and will be eliminated through future revenues and expenditure reductions.

As of June 30, 2012, the following funds had a deficit unrestricted net assets:

Fund	Deficit
Beach Drive Treatment Facility	\$ 1,052,135
Airport	1,375,742
Sewer Construction	129,006

Deficit unrestricted net assets for the enterprise funds will be cured by future grant revenues and expenditure reductions.

NOTE 14: CONTINGENCIES AND COMMITMENTS

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

Grant Awards

The City participates in certain Federal and State assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Construction and Other Commitments

The City has signed agreements for \$5,638,077 in various construction projects that were not complete as of June 30, 2012. Construction completed and paid subsequent to June 30, 2012 on these projects was \$2,342,377.

Delta Rural Fire Protection District

The City entered into a contractual agreement to provide fire protection services to the Delta Rural Fire Protection District. The contract is for the amount received by Delta from the Sacramento County Auditor-Controller attributable to the service area for that fiscal year. The agreement commenced on January 1, 1996 and is effective for twenty years. On October 16, 2009, the City Council and Delta Rural Fire amended the agreement to reflect that aside from receiving all property taxes generated by Delta Rural Fire, the City would also be entitled to 75% of all Delta Rural Fire assessments for capital purchases. Additionally, if either party chooses to terminate the agreement prior to the term of the contract which ends in 2016, parties must provide three years advance written notice to the other party.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 15: LANDFILL POST-CLOSURE COSTS

The City accounts for certain costs associated with its landfill in accordance with GASB Statement No. 18, *Landfill Closure and Postclosure Care Cost*. Under Statement No. 18, the City is required to recognize a liability equal to the estimated total current cost of postclosure care for its landfill. Postclosure care of the City's landfill after its closure is mandated by state and federal laws and consists of various maintenance and monitoring functions at the landfill site. The City placed a final cover on its closed landfill site in 2002 and is performing maintenance and monitoring functions at the site for 30 years after closure. As of June 30, 2012, the City has accrued \$1,159,209 to cover the costs of these functions.

NOTE 16: GAS LEASE

The City leases the right to extract minerals to a natural gas supplier. The revenues from the gas royalties are contingent upon the sales amount of the gas extracted. The lease remains in force as long as there is gas available for production. Royalty payments for the fiscal year amounted to \$94,952.

NOTE 17: PRIOR PERIOD ADJUSTMENT

Upon reconciling various accounts, the City made the following prior period adjustments:

<u>Fund</u>	<u>Description of Restatement</u>	<u>Amount</u>
<u>Governmental funds</u>		
General Fund	Correct YSAQMD grant revenues & expenditures	\$ (52,549)
CDBG	Reverse incorrect interfund receivable	818,427
Capital Projects	Correct YSAQMD grant revenues & expenditures	52,549
CDBG Housing Rehabilitation	Record deferred revenue related to note receivable	(114,275)
Parks and Recreation	Correct developer fee revenue	<u>126,400</u>
	Total Governmental Fund Balance Restatement	<u>\$ 830,552</u>
<u>Proprietary funds</u>		
Airport	Reconcile accounts receivable	\$ 90,236
Beach Drive Treatment Facility	Reclass construction in progress	13,002
NW Wastewater Treatment Facility	Reclass construction in progress	(13,002)
Transit	Correct cash receipts	25,883
Transit	True up grant revenue	<u>174,380</u>
	Total Proprietary Fund Net Asset Restatement	<u>\$ 290,499</u>

In addition, the Government-wide Statement of Net Assets for governmental activities has been adjusted by the following:

<u>Description of Restatement</u>	<u>Amount</u>
Fund financial statements	\$ 830,552
Capital asset reconciliation	(203,317)
Notes receivable deferral	<u>114,275</u>
Fund financial statements	<u>\$ 741,510</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 18: EXTRAORDINARY ITEM: SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Rio Vista that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements totaling \$2,038,492. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

NOTE 19: SUBSEQUENT EVENT

On December 6, 2012, the City's voters passed a 3/4 cent increase to the sales tax collected within the City. The added tax will become operative on April 1, 2013 and sunset in five years. The tax will be used to pay for general services for the City including police, fire, land-use planning, and other city services.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RIO VISTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>2011 - 2012</u> <u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<u>REVENUES</u>				
Taxes and assessments	\$ 2,438,956	\$ 2,469,457	\$ 2,753,778	\$ 284,321
License, permits, and fees	255,429	254,979	244,741	(10,238)
Fines and forfeitures	212,750	32,250	17,743	(14,507)
Use of money and property	32,250	212,900	187,662	(25,238)
Charges for services	412,117	387,117	322,299	(64,818)
Other revenues	<u>17,950</u>	<u>27,000</u>	<u>7,781</u>	<u>(19,219)</u>
Total Revenues	<u>3,369,452</u>	<u>3,383,703</u>	<u>3,534,004</u>	<u>150,301</u>
 <u>EXPENDITURES</u>				
Current:				
General administration	215,390	214,360	298,376	(84,016)
Public safety	2,798,307	2,714,462	2,401,191	313,271
Parks and recreation	186,150	182,072	201,086	(19,014)
Development	214,007	211,783	173,599	38,184
Public works	279,664	283,608	368,898	(85,290)
Debt Service:				
Principal	<u>70,130</u>	<u>70,130</u>	<u>70,130</u>	<u>-</u>
Total Expenditures	<u>3,763,648</u>	<u>3,391,925</u>	<u>3,513,280</u>	<u>247,151</u>
Excess (deficiency) of revenues over expenditures	<u>(394,196)</u>	<u>(8,222)</u>	<u>20,724</u>	<u>(96,850)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>113,712</u>	<u>113,712</u>	<u>226,833</u>	<u>113,121</u>
Total Other Financing Sources (Uses)	<u>113,712</u>	<u>113,712</u>	<u>226,833</u>	<u>113,121</u>
Net change in fund balance	<u>\$ (280,484)</u>	<u>\$ 105,490</u>	<u>247,557</u>	<u>\$ 16,271</u>
Fund balance - July 1, 2011			1,893,301	
Prior period restatement			<u>(52,549)</u>	
Fund balance - July 1, 2011, restated			<u>1,840,752</u>	
Fund balance - June 30, 2012			<u>\$ 2,088,309</u>	

CITY OF RIO VISTA
COMMUNITY DEVELOPMENT BLOCK GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>2011 - 2012</u> <u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<u>REVENUES</u>				
Intergovernmental	\$ <u>842,588</u>	\$ <u>842,588</u>	\$ <u>718,703</u>	\$ <u>(123,885)</u>
Total Revenues	<u>842,588</u>	<u>842,588</u>	<u>718,703</u>	<u>(123,885)</u>
<u>EXPENDITURES</u>				
Current:				
Public works	<u>11,859</u>	<u>11,859</u>	<u>30,011</u>	<u>(18,152)</u>
Total Expenditures	<u>11,859</u>	<u>11,859</u>	<u>30,011</u>	<u>(18,152)</u>
Net change in fund balance	<u>\$ 830,729</u>	<u>\$ 830,729</u>	<u>688,692</u>	<u>\$ (142,037)</u>
Fund balance - July 1, 2011			(852,837)	
Prior period restatement			<u>818,427</u>	
Fund balance - July 1, 2011, restated			<u>(34,410)</u>	
Fund balance (deficit) - June 30, 2012			<u>\$ 654,282</u>	

**CITY OF RIO VISTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

Budgetary Control and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Each May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen's comments.
3. The budget is legally enacted by City Council resolution.
4. All budget adjustments over \$5,000 and transfers between funds must be approved by the City Council by resolution during the fiscal year. The City Manager is authorized to transfer any unencumbered appropriations within a fund or department, and may authorize encumbrances under \$5,000. The Department heads are authorized to transfer any unencumbered appropriations within their department, and may authorize encumbrances under \$1,000. The legally adopted budget requires that expenditures not exceed total appropriations within each fund.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for governmental funds. Budgets are adopted for the General Fund, all Special Revenue Funds except the Asset Forfeiture Fund, all Capital Projects Funds, and the Debt Service Fund.
6. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
7. Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.

**CITY OF RIO VISTA
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

<u>Actuarial Valuation Date</u>	<u>Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Liability (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
June 30, 2010	\$ 548,759	\$ -	\$ 548,759	0%	\$ 2,045,769	27 %

See accompanying notes to the basic financial statements.

COMBINING FINANCIAL SCHEDULES AND OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

The following funds are reported in total on the Governmental Fund Financial Statements under the column Other Governmental Funds.

SPECIAL REVENUE FUNDS

Police High Tech Grant

This fund was created to account for revenues and expenditures associated with the Police High Tech Grant.

Law Enforcement

This fund was created to account for the revenues and expenditures associated with the funding of one Police Officer and one Community Services Officer. The revenue from the grant and the actual expenditures incurred are tracked in the fund.

Asset Forfeiture

Under authority of CA Health and Safety Code Section 11489, this fund accounts for funds turned over to the City by the courts for money and property seized because of drug arrests. These funds are also used to assist in drug sting operations to arrest drug dealers.

ATOD Grant

Alcohol, tobacco, and other drugs (ATOD) is a program offered by the City and County of Solano to provide educational programs to both the youth and adults within the community. The City is responsible for providing the agreed upon programs and completing the reporting requirements to the County on the progress of the program in achieving the program goals.

Redevelopment Agency - Low/Mod Housing

This fund is used to account for the use of the 20% of the redevelopment tax increment, which must be used for very low, low and moderate income housing programs.

Redevelopment Agency

This fund is used to account for property tax increment revenues net of the 20% set-aside for low and moderate income housing and expenses for furtherance of project goal areas.

Gas Tax

This fund accounts for the revenues and expenditures associated with the maintenance and improvements of the City's roads and street landscaping that is funded through the receipt of the City's share of the gas tax.

CDBG Housing Rehabilitation

This fund is used to provide and meet the capital needs of businesses located throughout the City. The intent of the program is to provide appropriate assistance to businesses with the potential to increase the overall economic base of the City. In addition, this fund accounts for loans to residents for housing rehabilitation. The loans were offered as second mortgages and were to be paid off upon sale or transfer of the home.

Streets Projects

This fund is used to account for the American Recovery and Reinvestment Act (ARRA) stimulus funds for local streets and roads improvement projects.

Personnel Services District

This fund is used to account for the services portion of CFD 2006-1 which will be used to fund public safety.

Developers Revolving

This fund is used to hold advance deposits and reimbursements received from the developers and to draw down from those funds as the City pays expenditures on behalf of the developers. Prior to approval of their tentative maps, the City receives an administrative fee for providing this management service to developers.

RV High Green Jobs

This fund is used to account for a project related to the RDUSD River Delta Green Jobs Project. These funds are to be pass through to the School District based on progress of the project.

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

Vehicle Replacement

This fund was created to account for the vehicle fees received from the State of California for the use of the City's fire vehicles when responding to service calls from the Office of Emergency Services Strike Team. The City acts as a pass-through agent receiving wage revenue from the State and paying the revenue out to the Strike team members.

Storm Drain

This fund is used to collect a fee from each water customer and is set aside to pay for future maintenance, repair, or replacement of the City's storm drain system. The fee is collected in the monthly utility billings.

Roadway Impact

This fund is used to collect fees paid by developers of construction projects to be used to offset the impact of development on the City's local streets. The fee is collected as part of the building permit process and is accumulated in this fund for use as needed for capital roadway projects.

Municipal Improvements

This fund is used to collect fees paid by developers of construction projects to be used to help fund future capital municipal improvements needed as a result of current development.

Hazardous Waste

This fund is used to account for revenues and expenditures incurred from offering hazardous waste disposal programs. The City collects revenues through customer's sanitation bills to provide for special collections events such as the HHW event to collect household hazardous waste.

Landfill Closure

The City collects a franchise fee from the local sanitation agency. This fee is set aside in this fund to help offset the current and future cost of maintaining the landfill. In addition, the City is required to hold in reserve an amount sufficient to cover any costs due to contamination of the ground water in and around the landfill .

Army Base Reuse

The City is currently working with the Department of Water Resources to finance and construct a field operation laboratory/science center on the former Army base site. The \$20 million plus project is currently planned as a reuse of 12 to 14 acres of the former 28-acre army base at the south end of the City.

Parks and Recreation

This fund is used to collect fees paid by developers of construction of projects to be used to help fund future capital park and recreation facilities. This fee, collected through the building permit process, ensures that the City's facilities will stay proportionate to their population.

DEBT SERVICE FUNDS

Firehouse Bonds

This fund services the 1977 Firehouse General Obligation Bonds. Property taxes are received and used to make the bond's semi-annual interest and principal payments.

CITY OF RIO VISTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

Special Revenue Funds						
	Police High Tech Grant	Law Enforcement	Asset Forfeiture	ATOD Grant	Redevelopment Agency Low/Mod Housing	Redevelopment Agency
ASSETS						
Cash and investments	\$ 2	\$ 208,266	\$ 8,982	\$ 10,037	\$ -	\$ -
Restricted cash and investments	-	-	13,689	-	-	-
Accounts receivable	-	7,281	-	22,450	-	-
Interest receivable	-	-	14	-	-	-
Prepaid expenses	-	-	-	523	-	-
Notes receivable	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Total Assets	<u>\$ 2</u>	<u>\$ 215,547</u>	<u>\$ 22,685</u>	<u>\$ 33,010</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES						
(DEFICITS)						
LIABILITIES:						
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 9,808	\$ -	\$ -
Accrued payroll and benefits	-	-	2,405	472	-	-
Unearned revenues	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,405</u>	<u>10,280</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS):						
Nonspendable	-	-	-	523	-	-
Restricted	2	215,547	20,280	22,207	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	<u>2</u>	<u>215,547</u>	<u>20,280</u>	<u>22,730</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances						
(Deficits)	<u>\$ 2</u>	<u>\$ 215,547</u>	<u>\$ 22,685</u>	<u>\$ 33,010</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF RIO VISTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

Special Revenue Funds

	<u>Gas Tax</u>	<u>CDBG Housing Rehabilitation</u>	<u>Street Projects</u>	<u>Personnel Services District</u>	<u>Developers Revolving</u>	<u>RV High Green Jobs</u>
ASSETS						
Cash and investments	\$ 529,481	\$ 108,290	\$ 98,195	\$ 255,178	\$ 185,793	\$ 105,000
Restricted cash and investments	-	-	-	-	8	-
Accounts receivable	24	-	-	-	27,012	-
Interest receivable	178	95	-	21	-	-
Prepaid expenses	-	-	-	-	-	-
Notes receivable	-	140,103	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Total Assets	<u>\$ 529,683</u>	<u>\$ 248,488</u>	<u>\$ 98,195</u>	<u>\$ 255,199</u>	<u>\$ 212,813</u>	<u>\$ 105,000</u>
LIABILITIES AND FUND BALANCES						
(DEFICITS)						
LIABILITIES:						
Accounts payable and accrued expenses	\$ 2,567	\$ -	\$ -	\$ 5,500	\$ 8,688	\$ 105,000
Accrued payroll and benefits	966	-	-	-	-	-
Unearned revenues	-	114,275	98,100	-	-	-
Deposits payable	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total Liabilities	<u>3,533</u>	<u>114,275</u>	<u>98,100</u>	<u>5,500</u>	<u>8,688</u>	<u>105,000</u>
FUND BALANCES (DEFICITS):						
Nonspendable	-	-	-	-	-	-
Restricted	526,150	134,213	95	249,699	204,125	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	<u>526,150</u>	<u>134,213</u>	<u>95</u>	<u>249,699</u>	<u>204,125</u>	<u>-</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 529,683</u>	<u>\$ 248,488</u>	<u>\$ 98,195</u>	<u>\$ 255,199</u>	<u>\$ 212,813</u>	<u>\$ 105,000</u>

CITY OF RIO VISTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

Capital Project Funds					
	<u>Vehicle Replacement</u>	<u>Storm Drain</u>	<u>Roadway Impact</u>	<u>Municipal Improvements</u>	<u>Hazardous Waste</u>
<u>ASSETS</u>					
Cash and investments	\$ 52,032	\$ 164,809	\$ 523,292	\$ 887,611	\$ 166,176
Restricted cash and investments	-	-	-	-	-
Accounts receivable	-	4,504	-	-	19,309
Interest receivable	41	97	542	1,511	41
Prepaid expenses	-	-	-	-	-
Notes receivable	-	-	-	-	-
Advances to other funds	-	-	-	2,419,955	-
Total Assets	<u>\$ 52,073</u>	<u>\$ 169,410</u>	<u>\$ 523,834</u>	<u>\$ 3,309,077</u>	<u>\$ 185,526</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>(DEFICITS)</u>					
LIABILITIES:					
Accounts payable and accrued expenses	\$ -	\$ 383	\$ -	\$ -	\$ 28
Accrued payroll and benefits	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Deposits payable	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>383</u>	<u>-</u>	<u>-</u>	<u>28</u>
FUND BALANCES (DEFICITS):					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	52,073	-	-	-	-
Assigned	-	169,027	523,834	3,309,077	185,498
Unassigned	-	-	-	-	-
Total Fund Balances (Deficits)	<u>52,073</u>	<u>169,027</u>	<u>523,834</u>	<u>3,309,077</u>	<u>185,498</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 52,073</u>	<u>\$ 169,410</u>	<u>\$ 523,834</u>	<u>\$ 3,309,077</u>	<u>\$ 185,526</u>

CITY OF RIO VISTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

	Capital Project Funds			Debt Service	Total Non-major Governmental Funds
	<u>Landfill Closure</u>	<u>Army Base Reuse</u>	<u>Parks and Recreation</u>	<u>Firehouse Bonds</u>	
ASSETS					
Cash and investments	\$ 225,543	\$ 63,847	\$ 438,308	\$ 77,486	\$ 4,108,328
Restricted cash and investments	-	-	-	-	13,697
Accounts receivable	29,061	8,750	-	-	118,391
Interest receivable	210	-	389	36	3,175
Prepaid expenses	-	-	-	-	523
Notes receivable	-	-	-	-	140,103
Advances to other funds	-	-	100,000	-	2,519,955
Total Assets	<u>\$ 254,814</u>	<u>\$ 72,597</u>	<u>\$ 538,697</u>	<u>\$ 77,522</u>	<u>\$ 6,904,172</u>
LIABILITIES AND FUND BALANCES					
(DEFICITS)					
LIABILITIES:					
Accounts payable and accrued expenses	\$ 441	\$ 4,092	\$ -	\$ -	\$ 136,507
Accrued payroll and benefits	-	-	-	-	3,843
Unearned revenues	-	-	-	-	212,375
Deposits payable	-	3,000	-	-	3,000
Advances from other funds	-	172,799	-	-	172,799
Total Liabilities	<u>441</u>	<u>179,891</u>	<u>-</u>	<u>-</u>	<u>528,524</u>
FUND BALANCES (DEFICITS):					
Nonspendable	-	-	-	-	523
Restricted	-	-	-	77,522	1,449,840
Committed	-	-	-	-	52,073
Assigned	254,373	-	538,697	-	4,980,506
Unassigned	-	(107,294)	-	-	(107,294)
Total Fund Balances (Deficits)	<u>254,373</u>	<u>(107,294)</u>	<u>538,697</u>	<u>77,522</u>	<u>6,375,648</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 254,814</u>	<u>\$ 72,597</u>	<u>\$ 538,697</u>	<u>\$ 77,522</u>	<u>\$ 6,904,172</u>

CITY OF RIO VISTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

Special Revenue Funds						
	<u>Police High Tech Grant</u>	<u>Law Enforcement</u>	<u>Asset Forfeiture</u>	<u>ATOD Grant</u>	<u>RDA Low/Mod Housing</u>	<u>Redevelopment Agency</u>
REVENUES						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ 82,728	\$ 330,917
Licenses, permits, and fees	-	-	-	-	-	-
Use of money and property	-	320	56	47	998	1,724
Intergovernmental	-	101,513	-	48,606	-	-
Other revenue	-	-	-	-	-	63
Total Revenues	<u>-</u>	<u>101,833</u>	<u>56</u>	<u>48,653</u>	<u>83,726</u>	<u>332,704</u>
EXPENDITURES						
Current:						
General administration	-	-	-	4,360	4,798	-
Public safety	-	-	-	-	-	-
Parks and recreation	-	-	-	43,752	-	-
Development	-	-	-	-	25,678	41,246
Public works	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,112</u>	<u>30,476</u>	<u>41,246</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>101,833</u>	<u>56</u>	<u>541</u>	<u>53,250</u>	<u>291,458</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXTRAORDINARY ITEM						
Redevelopment dissolution	-	-	-	-	(917,134)	(1,121,358)
Net change in fund balances	<u>-</u>	<u>101,833</u>	<u>56</u>	<u>541</u>	<u>(863,884)</u>	<u>(829,900)</u>
Fund balances (deficits) - July 1, 2011	2	113,714	20,224	22,189	863,884	829,900
Prior period adjustment (Note 17)	-	-	-	-	-	-
Fund balances (deficits) - July 1, 2011, restated	<u>2</u>	<u>113,714</u>	<u>20,224</u>	<u>22,189</u>	<u>863,884</u>	<u>829,900</u>
Fund balances (deficits) - June 30, 2012	<u>\$ 2</u>	<u>\$ 215,547</u>	<u>\$ 20,280</u>	<u>\$ 22,730</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF RIO VISTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds					
	<u>Gas Tax</u>	<u>CDBG Housing Rehabilitation</u>	<u>Street Projects</u>	<u>Personnel Services District</u>	<u>Developers Revolving</u>	<u>RV High Green Jobs</u>
<u>REVENUES</u>						
Taxes and assessments	\$ 239,674	\$ -	\$ -	\$ 121,317	\$ -	\$ -
Licenses, permits, and fees	-	-	-	-	-	-
Use of money and property	1,045	1,027	95	410	261	-
Intergovernmental	-	-	-	-	-	-
Other revenue	-	-	-	-	5,533	-
Total Revenues	<u>240,719</u>	<u>1,027</u>	<u>95</u>	<u>121,727</u>	<u>5,794</u>	<u>-</u>
<u>EXPENDITURES</u>						
Current:						
General administration	12,158	-	-	7,267	400	-
Public safety	-	-	-	49,986	-	-
Parks and recreation	-	-	-	-	-	-
Development	-	-	-	-	15,168	-
Public works	130,829	-	-	-	5,700	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>142,987</u>	<u>-</u>	<u>-</u>	<u>57,253</u>	<u>21,268</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>97,732</u>	<u>1,027</u>	<u>95</u>	<u>64,474</u>	<u>(15,474)</u>	<u>-</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>EXTRAORDINARY ITEM</u>						
Redevelopment dissolution	-	-	-	-	-	-
Net change in fund balances	<u>97,732</u>	<u>1,027</u>	<u>95</u>	<u>64,474</u>	<u>(15,474)</u>	<u>-</u>
Fund balances (deficits) - July 1, 2011	428,418	247,461	-	185,225	219,599	-
Prior period adjustment (Note 17)	-	(114,275)	-	-	-	-
Fund balances (deficits) - July 1, 2011, restated	<u>428,418</u>	<u>133,186</u>	<u>-</u>	<u>185,225</u>	<u>219,599</u>	<u>-</u>
Fund balances (deficits) - June 30, 2012	<u>\$ 526,150</u>	<u>\$ 134,213</u>	<u>\$ 95</u>	<u>\$ 249,699</u>	<u>\$ 204,125</u>	<u>\$ -</u>

CITY OF RIO VISTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	Capital Project Funds				
	<u>Vehicle Replacement</u>	<u>Storm Drain</u>	<u>Roadway Impact</u>	<u>Municipal Improvements</u>	<u>Hazardous Waste</u>
<u>REVENUES</u>					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees	-	22,370	2,449	55,967	75,198
Use of money and property	142	392	1,672	5,196	319
Intergovernmental	-	-	-	-	10,000
Other revenue	-	-	-	-	-
Total Revenues	<u>142</u>	<u>22,762</u>	<u>4,121</u>	<u>61,163</u>	<u>85,517</u>
<u>EXPENDITURES</u>					
Current:					
General administration	-	1,651	-	-	2,234
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Development	-	-	-	-	-
Public works	-	14,188	-	-	18,699
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>15,839</u>	<u>-</u>	<u>-</u>	<u>20,933</u>
Excess (Deficiency) of Revenues over Expenditures	<u>142</u>	<u>6,923</u>	<u>4,121</u>	<u>61,163</u>	<u>64,584</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers out	-	-	-	(76,833)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,833)</u>	<u>-</u>
<u>EXTRAORDINARY ITEM</u>					
Redevelopment dissolution	-	-	-	-	-
Net change in fund balances	<u>142</u>	<u>6,923</u>	<u>4,121</u>	<u>(15,670)</u>	<u>64,584</u>
Fund balances (deficits) - July 1, 2011	51,931	162,104	519,713	3,324,747	120,914
Prior period adjustment (Note 17)	-	-	-	-	-
Fund balances (deficits) - July 1, 2011, restated	<u>51,931</u>	<u>162,104</u>	<u>519,713</u>	<u>3,324,747</u>	<u>120,914</u>
Fund balances (deficits) - June 30, 2012	<u>\$ 52,073</u>	<u>\$ 169,027</u>	<u>\$ 523,834</u>	<u>\$ 3,309,077</u>	<u>\$ 185,498</u>

CITY OF RIO VISTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	Capital Project Funds			Debt Service	Total Non-major Governmental Funds
	Landfill Closure	Army Base Reuse	Parks and Recreation	Firehouse Bonds	
REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ 29,294	\$ 803,930
Licenses, permits, and fees	112,985	-	17,461	-	286,430
Use of money and property	550	22,449	1,274	148	38,125
Intergovernmental	-	-	-	-	160,119
Other revenue	-	92,082	-	-	97,678
Total Revenues	113,535	114,531	18,735	29,442	1,386,282
EXPENDITURES					
Current:					
General administration	3,300	3,565	-	-	39,733
Public safety	-	-	-	-	49,986
Parks and recreation	-	-	-	-	43,752
Development	-	63,924	-	-	146,016
Public works	57,675	-	-	-	227,091
Debt service:					
Principal	-	-	-	20,000	20,000
Interest and fiscal charges	-	-	-	10,190	10,190
Total Expenditures	60,975	67,489	-	30,190	536,768
Excess (Deficiency) of Revenues over Expenditures	52,560	47,042	18,735	(748)	849,514
OTHER FINANCING SOURCES (USES)					
Transfers out	(150,000)	-	-	-	(226,833)
Total Other Financing Sources (Uses)	(150,000)	-	-	-	(226,833)
EXTRAORDINARY ITEM					
Redevelopment dissolution	-	-	-	-	(2,038,492)
Net change in fund balances	(97,440)	47,042	18,735	(748)	(1,415,811)
Fund balances (deficits) - July 1, 2011	351,813	(154,336)	393,562	78,270	7,779,334
Prior period adjustment (Note 17)	-	-	126,400	-	12,125
Fund balances (deficits) - July 1, 2011, restated	351,813	(154,336)	519,962	78,270	7,791,459
Fund balances (deficits) - June 30, 2012	\$ 254,373	\$ (107,294)	\$ 538,697	\$ 77,522	\$ 6,375,648

NON-MAJOR PROPRIETARY FUNDS

The following funds are reported in total on the Proprietary Fund Financial Statements under the column Other Enterprise Funds.

Water Construction

This fund is used to collect impact fees paid by developers to fund future expansion of, and improvements to, the City's water facilities.

Water Capital Assets

This fund was created to begin building reserves for the replacement and addition of capital assets in the water system.

Sewer Construction

This fund is used to collect impact fees paid by developers to fund future expansion of, and improvements to, the City's wastewater treatment facilities.

Sewer Capital Assets

This fund was created to begin building reserves for the replacement and addition of capital assets for the sewer system.

Business Park

This fund is used to allocate staff time and available resources from leases and sale of lands in the Business Park to finance public improvements, create development-ready land parcels, and provide incentives for development of businesses on City-owned land.

Transit

This fund is used to account for transportation services provided to the City through Rio Vista Delta Breeze, a program of the City that provides deviated fixed route bus service on three routes serving Rio Vista, Isleton, Antioch, Pittsburgh/Bay Point BART Station, Suisun City, and Fairfield, with connections to Lodi.

CITY OF RIO VISTA
NON-MAJOR PROPRIETARY FUNDS
COMBINING SCHEDULE OF NET ASSETS
JUNE 30, 2012

	<u>Water Construction</u>	<u>Water Capital Assets</u>	<u>Sewer Construction</u>	<u>Sewer Capital Assets</u>	<u>Business Park</u>	<u>Transit</u>	<u>Totals</u>
ASSETS							
Current Assets:							
Cash and investments	\$ 513,055	\$ 152,550	\$ -	\$ 166,198	\$ 284,005	\$ 318,544	\$ 1,434,352
Restricted cash and investments	-	-	130,042	-	-	-	130,042
Accounts receivable	99,235	-	-	-	11,939	127,383	238,557
Interest receivable	551	150	-	164	57	190	1,112
Prepaid items	-	-	-	-	-	1,223	1,223
Total Current Assets	<u>612,841</u>	<u>152,700</u>	<u>130,042</u>	<u>166,362</u>	<u>296,001</u>	<u>447,340</u>	<u>1,805,286</u>
Non Current Assets:							
Capital assets:							
Land and construction in progress	-	-	-	-	23,184	-	23,184
Depreciable assets, net	-	-	-	-	477,202	312,954	790,156
Total Non Current Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,386</u>	<u>312,954</u>	<u>813,340</u>
Total Assets	<u>612,841</u>	<u>152,700</u>	<u>130,042</u>	<u>166,362</u>	<u>796,387</u>	<u>760,294</u>	<u>2,618,626</u>
LIABILITIES							
Current liabilities:							
Accounts payable	-	-	-	-	1,440	144,650	146,090
Accrued salary and benefits	-	-	-	-	151	723	874
Deposit payable	-	-	-	-	5,809	-	5,809
Due to other funds	-	-	129,006	-	-	-	129,006
Compensated absences- current	-	-	-	-	162	549	711
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>129,006</u>	<u>-</u>	<u>7,562</u>	<u>145,922</u>	<u>282,490</u>
Non Current Liabilities:							
Compensated absences- noncurrent	-	-	-	-	262	790	1,052
Total Non Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262</u>	<u>790</u>	<u>1,052</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>129,006</u>	<u>-</u>	<u>7,824</u>	<u>146,712</u>	<u>283,542</u>
NET ASSETS							
Invested in capital assets, net of related debt	-	-	-	-	500,386	312,954	813,340
Restricted for capital projects	-	-	130,042	-	-	-	130,042
Unrestricted	<u>612,841</u>	<u>152,700</u>	<u>(129,006)</u>	<u>166,362</u>	<u>288,177</u>	<u>300,628</u>	<u>1,391,702</u>
Total Net Assets	<u>\$ 612,841</u>	<u>\$ 152,700</u>	<u>\$ 1,036</u>	<u>\$ 166,362</u>	<u>\$ 788,563</u>	<u>\$ 613,582</u>	<u>\$ 2,335,084</u>

CITY OF RIO VISTA
NON-MAJOR PROPRIETARY FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Water Construction</u>	<u>Water Capital Assets</u>	<u>Sewer Construction</u>	<u>Sewer Capital Assets</u>	<u>Business Park</u>	<u>Transit</u>	<u>Totals</u>
OPERATING REVENUES:							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ (2,322)	\$ 145,362	\$ 143,040
Rents	-	-	-	-	90,817	-	90,817
Grant revenues	-	-	-	-	-	542,882	542,882
Other revenues	-	-	-	-	(233)	38,165	37,932
Total Operating Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,262</u>	<u>726,409</u>	<u>814,671</u>
OPERATING EXPENSES:							
Salaries & benefits	-	-	-	-	9,171	59,282	68,453
Contract services	-	-	-	-	1,261	337,531	338,792
Supplies & materials	-	-	-	-	8,455	209,183	217,638
Utilities	-	-	-	-	2,300	-	2,300
Maintenance & repair	-	-	-	-	-	983	983
Professional services	-	-	-	-	-	1,979	1,979
Miscellaneous	-	-	-	-	-	135	135
Depreciation	-	-	-	-	13,616	32,400	46,016
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,803</u>	<u>641,493</u>	<u>676,296</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,459</u>	<u>84,916</u>	<u>138,375</u>
NON OPERATING REVENUES (EXPENSES):							
Interest revenue	1,677	461	465	493	497	567	4,160
Total Non Operating Revenue	<u>1,677</u>	<u>461</u>	<u>465</u>	<u>493</u>	<u>497</u>	<u>567</u>	<u>4,160</u>
Change in net assets	1,677	461	465	493	53,956	85,483	142,535
Net assets - July 1, 2011	611,164	152,239	571	165,869	734,607	327,836	1,992,286
Prior Period Restatement	-	-	-	-	-	200,263	200,263
Net assets - July 1, 2011, Restated	<u>611,164</u>	<u>152,239</u>	<u>571</u>	<u>165,869</u>	<u>734,607</u>	<u>528,099</u>	<u>2,192,549</u>
Net assets - June 30, 2012	<u>\$ 612,841</u>	<u>\$ 152,700</u>	<u>\$ 1,036</u>	<u>\$ 166,362</u>	<u>\$ 788,563</u>	<u>\$ 613,582</u>	<u>\$ 2,335,084</u>

CITY OF RIO VISTA
STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Water Construction</u>	<u>Water Capital Assets</u>	<u>Sewer Construction</u>	<u>Sewer Capital Assets</u>	<u>Business Park</u>	<u>Transit</u>	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>							
Cash received from customers	\$ -	\$ -	\$ -	\$ -	\$ 95,508	\$ 646,991	\$ 742,499
Cash paid to suppliers	-	-	-	-	(19,276)	(443,560)	(462,836)
Cash paid to employees	-	-	-	-	(10,159)	(60,043)	(70,202)
Net cash provided (used) by operating activities	-	-	-	-	66,073	143,388	209,461
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</u>							
Acquisition of capital assets	-	-	-	-	-	(150,783)	(150,783)
Net cash used by noncapital financing activities	-	-	-	-	-	(150,783)	(150,783)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>							
Interest and dividends	1,475	416	465	442	592	606	3,996
Net cash provided by investing activities	1,475	416	465	442	592	606	3,996
Net increase (decrease) in cash and cash equivalents	1,475	416	465	442	66,665	(6,789)	62,674
Cash and Cash Equivalents - July 1, 2011	511,580	152,134	129,577	165,756	217,340	325,333	1,501,720
Cash and Cash Equivalents -June 30, 2012	\$ 513,055	\$ 152,550	\$ 130,042	\$ 166,198	\$ 284,005	\$ 318,544	\$ 1,564,394

CITY OF RIO VISTA
STATEMENT OF CASH FLOWS (continued)
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Water Construction</u>	<u>Water Capital Assets</u>	<u>Sewer Construction</u>	<u>Sewer Capital Assets</u>	<u>Business Park</u>	<u>Transit</u>	<u>Totals</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>							
Operating income (loss)	\$ -	\$ -	\$ -	\$ -	\$ 53,459	\$ 84,916	\$ 138,375
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	-	-	-	-	13,616	32,400	46,016
Changes in assets and liabilities:							
Decrease in accounts receivable	-	-	-	-	6,796	94,962	101,758
Decrease in unearned revenue	-	-	-	-	-	(174,380)	(174,380)
(Decrease) increase in accounts payable	-	-	-	-	(6,810)	106,251	99,441
Decrease in accrued wages	-	-	-	-	(309)	(190)	(499)
Decrease in compensated absences	-	-	-	-	(679)	(571)	(1,250)
Total adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,614</u>	<u>58,472</u>	<u>71,086</u>
Net cash provided (used) by operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,073</u>	<u>\$ 143,388</u>	<u>\$ 209,461</u>

AGENCY FUNDS

Agency funds are fiduciary funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The specific agency funds used by the City are shown below:

Riverview Point

This fund collects assessments from homeowners for improvements within the assessment district, pays all administrative costs associated with the bond issue, and makes the bond principal and interest payments on a semi-annual basis.

Summerset

This fund collects assessments from homeowners for improvements within the assessment district, pays all administrative costs associated with the bond issue, and makes the bond principal and interest payments on a semi-annual basis.

Summerset L&L District

This fund collects assessments levied to provide funding for the maintenance of certain common areas within the Summerset district. Currently, the fund pays for landscape maintenance at the front entrance to the development, the water feature, street light repairs and electric bills, landscaping and weed abatement along highway 12.

Los Ulpinos

This fund was created by by vote of property owners in 1987 to issue and repay special improvement bonds to help fund improvements related to a sanitary sewer collection system, pumping and transmission facilities on Airport Road, and the construction of a primary water distribution system extending from an existing well pump station.

Community Facilities District 2004-1

This fund and district were created by vote of current property owners in the 2004-05 fiscal year to issue and repay special tax bonds to help fund the construction of a new wastewater treatment facility. Assessments will be placed on the tax rolls of the property owners each year to cover the bond principal and interest charges and related administrative expenses.

Community Facilities District 2006-1

Formed by a vote of the current property owners in July 2006, this District serves to fund a portion of the construction costs of the Northwest Wastewater Treatment Plant. Annual assessments will be placed on the tax rolls of the property owners to cover the bond principal and interest as well as related administrative expenses. Additionally, the residential units in this District will pay an annual assessment to contribute to funding for public safety services.

CITY OF RIO VISTA
COMBINING SCHEDULE OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2012

	<u>Riverview Point</u>	<u>Summerset</u>	<u>Summerset L&L District</u>	<u>Los Ulpinos</u>	<u>Community Facilities District 2004-1</u>	<u>Community Facilities District 2006-1</u>	<u>Totals</u>
<u>ASSETS</u>							
Cash and investments	\$ 251,683	\$ 169,319	\$ 203,507	\$ 6,428	\$ 605,140	\$ 970,869	\$ 2,206,946
Restricted cash	-	-	-	-	1,117,485	1,016,185	2,133,670
Accounts receivable	69	69	70	-	19	19	246
Interest receivable	<u>81</u>	<u>166</u>	<u>200</u>	<u>-</u>	<u>117</u>	<u>267</u>	<u>831</u>
Total Assets	<u>\$ 251,833</u>	<u>\$ 169,554</u>	<u>\$ 203,777</u>	<u>\$ 6,428</u>	<u>\$ 1,722,761</u>	<u>\$ 1,987,340</u>	<u>\$ 4,341,693</u>
<u>LIABILITIES</u>							
Accounts payable	\$ 791	\$ -	\$ 28,284	\$ -	\$ 988	\$ 967	\$ 31,030
Agency obligations	<u>251,042</u>	<u>169,554</u>	<u>175,493</u>	<u>6,428</u>	<u>1,721,773</u>	<u>1,986,373</u>	<u>4,310,663</u>
Total Liabilities	<u>\$ 251,833</u>	<u>\$ 169,554</u>	<u>\$ 203,777</u>	<u>\$ 6,428</u>	<u>\$ 1,722,761</u>	<u>\$ 1,987,340</u>	<u>\$ 4,341,693</u>

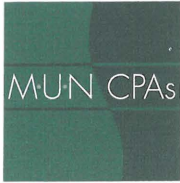
CITY OF RIO VISTA
SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>Riverview Point</u>				
ASSETS				
Cash and investments	\$ 238,150	\$ 399,847	\$ 386,314	\$ 251,683
Accounts receivable	69	-	-	69
Interest receivable	<u>163</u>	<u>81</u>	<u>163</u>	<u>81</u>
Total Assets	<u>\$ 238,382</u>	<u>\$ 399,928</u>	<u>\$ 386,477</u>	<u>\$ 251,833</u>
LIABILITIES				
Accounts payable	\$ 286	\$ 146,544	\$ 146,039	\$ 791
Agency obligations	<u>238,096</u>	<u>159,446</u>	<u>146,500</u>	<u>251,042</u>
Total Liabilities	<u>\$ 238,382</u>	<u>\$ 305,990</u>	<u>\$ 292,539</u>	<u>\$ 251,833</u>
<u>Summerset</u>				
ASSETS				
Cash and investments	\$ 168,856	\$ 2,574	\$ 2,111	\$ 169,319
Accounts receivable	69	-	-	69
Interest receivable	<u>116</u>	<u>166</u>	<u>116</u>	<u>166</u>
Total Assets	<u>\$ 169,041</u>	<u>\$ 2,740</u>	<u>\$ 2,227</u>	<u>\$ 169,554</u>
LIABILITIES				
Agency obligations	<u>169,041</u>	<u>513</u>	-	<u>169,554</u>
Total Liabilities	<u>\$ 169,041</u>	<u>\$ 513</u>	<u>\$ -</u>	<u>\$ 169,554</u>
<u>Summerset L&L District</u>				
ASSETS				
Cash and investments	\$ 197,770	\$ 367,882	\$ 362,145	\$ 203,507
Accounts Receivable	70	-	-	70
Interest Receivable	<u>135</u>	<u>200</u>	<u>135</u>	<u>200</u>
Total Assets	<u>\$ 197,975</u>	<u>\$ 368,082</u>	<u>\$ 362,280</u>	<u>\$ 203,777</u>
LIABILITIES				
Accounts payable	\$ 23,602	\$ 179,301	\$ 174,619	\$ 28,284
Agency obligations	<u>174,373</u>	<u>178,658</u>	<u>177,538</u>	<u>175,493</u>
Total Liabilities	<u>\$ 197,975</u>	<u>\$ 357,959</u>	<u>\$ 352,157</u>	<u>\$ 203,777</u>
<u>Los Ulpinos</u>				
ASSETS				
Cash and investments	\$ 6,414	\$ 49	\$ 35	\$ 6,428
Interest receivable	<u>4</u>	<u>-</u>	<u>4</u>	<u>-</u>
Total Assets	<u>\$ 6,418</u>	<u>\$ 49</u>	<u>\$ 39</u>	<u>\$ 6,428</u>
LIABILITIES				
Agency obligations	<u>6,418</u>	<u>11</u>	<u>1</u>	<u>6,428</u>
Total Liabilities	<u>\$ 6,418</u>	<u>\$ 11</u>	<u>\$ 1</u>	<u>\$ 6,428</u>

CITY OF RIO VISTA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS (continued)
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>Community Facilities District 2004-1</u>				
ASSETS				
Cash and investments	\$ 583,472	\$ 5,825,511	\$ 5,803,843	\$ 605,140
Restricted cash and investments	1,117,550	1,461,756	1,461,821	1,117,485
Accounts receivable	19	-	-	19
Interest receivable	<u>399</u>	<u>117</u>	<u>399</u>	<u>117</u>
Total Assets	<u>\$ 1,701,440</u>	<u>\$ 7,287,384</u>	<u>\$ 7,266,063</u>	<u>\$ 1,722,761</u>
LIABILITIES				
Accounts payable	\$ 294	\$ 728,426	\$ 727,732	\$ 988
Agency obligations	<u>1,701,146</u>	<u>1,155,767</u>	<u>1,135,140</u>	<u>1,721,773</u>
Total Liabilities	<u>\$ 1,701,440</u>	<u>\$ 1,884,193</u>	<u>\$ 1,862,872</u>	<u>\$ 1,722,761</u>
<u>Community Facilities District 2006-1</u>				
ASSETS				
Cash and investments	\$ 950,859	\$ 4,343,380	\$ 4,323,370	\$ 970,869
Restricted cash and investments	1,016,212	1,010,076	1,010,103	1,016,185
Accounts receivable	19	-	-	19
Interest receivable	<u>651</u>	<u>267</u>	<u>651</u>	<u>267</u>
Total Assets	<u>\$ 1,967,741</u>	<u>\$ 5,353,723</u>	<u>\$ 5,334,124</u>	<u>\$ 1,987,340</u>
LIABILITIES				
Accounts payable	\$ 294	\$ 1,034,919	\$ 1,034,246	\$ 967
Agency obligations	<u>1,967,447</u>	<u>1,053,446</u>	<u>1,034,520</u>	<u>1,986,373</u>
Total Liabilities	<u>\$ 1,967,741</u>	<u>\$ 2,088,365</u>	<u>\$ 2,068,766</u>	<u>\$ 1,987,340</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash and investments	\$ 2,145,521	\$ 10,939,243	\$ 10,877,818	\$ 2,206,946
Restricted cash and investments	2,133,762	2,471,832	2,471,924	2,133,670
Accounts receivable	246	-	-	246
Interest receivable	<u>1,468</u>	<u>831</u>	<u>1,468</u>	<u>831</u>
Total Assets	<u>\$ 4,280,997</u>	<u>\$ 13,411,906</u>	<u>\$ 13,351,210</u>	<u>\$ 4,341,693</u>
LIABILITIES				
Accounts payable	\$ 24,476	\$ 2,089,190	\$ 2,082,636	\$ 31,030
Agency obligations	<u>4,256,521</u>	<u>2,547,841</u>	<u>2,493,699</u>	<u>4,310,663</u>
Total Liabilities	<u>\$ 4,280,997</u>	<u>\$ 4,637,031</u>	<u>\$ 4,576,335</u>	<u>\$ 4,341,693</u>

OTHER REPORTS



**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 City Council of
the City of Rio Vista
Rio Vista, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rio Vista (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City of Rio Vista's basic financial statements and have issued our report thereon dated April 28, 2014. 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

Management of the City of Rio Vista, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Rio Vista'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 City of Rio Vista's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Rio Vista's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2012-01 through 2012-05.

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 consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies: 2012-06 through 2012-12.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rio Vista'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*.

City of Rio Vista's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Rio Vista's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the City Council, others within the entity, and pass-through entities and is not to be and should not be used by anyone other than these specified parties.

Manuel N. CPAs

Sacramento, California
April 28, 2014

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012

Finding 2012-01: Restatement of Previously Issued Financial Statements (Material Weakness - Repeat Finding)

Criteria

The City is responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Condition

Despite formal accounting policies and procedures being approved by City Council in September 2012, the City has restated prior year financial statements to correct several accounting errors related to grant revenues, interfund receivables, notes receivable, capital assets, charges for services, and expenditures.

Cause

The City is lacking internal controls over financial reporting. The City did not identify the misstatements in a timely manner resulting in the restatements. Further, it appears that accounting policies and procedures were not being followed.

Recommendation

We recommend that the City enhance its internal control over financial reporting to ensure complete and accurate financial reporting. The City can accomplish this by expanding its year-end closing procedures to ensure that all routine and nonroutine transactions were accounted for, the appropriate accounting standards were applied, and transactions were accounted for in the proper period.

Management's Response

We concur with the auditors for the year ended June 30, 2012. The Finance department is following the accounting and policies procedures that were created starting in March 2012 and the final copy of the accounting policies and procedures were adopted in September 2012 after the close of Fiscal Year 2011-12.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2012

Finding 2012-02: Year-End Closing Procedures (Material Weakness - Repeat Finding)

Criteria

An effective internal control system and timely financial reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

Condition

During the performance of the audit, we noted that processes utilized for closing and reporting of financial activity for the fiscal year ended June 30, 2012 were not effective, which contributed to the delayed closing of the City's trial balances, and unpreparedness for the audit. The City posted more than 80 journal entries subsequent to providing the trial balance for audit. These entries were provided up to 11-months after the initial year-end audit was scheduled, resulting in an untimely close and a delay in producing financial reports needed by management and the auditors. Also, auditors had to perform additional procedures over testing of account balances after receiving additional journal entries, which lead to additional audit fees.

Cause

The City does not have adequate controls in place to ensure accounting records are closed timely and accurately.

Recommendation

We recommend the following:

- The City develop checklists or other guidance documents over the City's closing process to ensure all closing entries are captured in the City's general ledger in a timely manner, and supporting schedules agree or reconcile to respective account balances prior to the trial balance being provided for the audit.
- The City incorporate review procedures and checklists over the City's financial reporting process to ensure accurate and complete preparation of the City's financial statements.

Management's Response

We concur with the auditors for the year ended June 30, 2012. The Finance Department develops checklists to ensure closing schedules are completed timely, and all accounts are reconciled.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2012

Finding 2012-03: Grant Monitoring (Material Weakness)

Criteria

Certain deficiencies in the internal control system over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Condition

The City does not have any formal procedures in place between department heads and the finance department to properly ensure that all expenditures, reimbursement requests, and compliance issues are being met timely and accurately. Prior to the audit, there was no reconciliation performed for grant revenue and expenditures, grant receivables, and unearned revenue. This resulted in numerous adjustments, including prior period restatements, to the trial balance being audited.

Cause

The City currently does not have any formal procedures in place to monitor grants between departments. In addition, grant reconciliations were not being performed.

Recommendation

We recommend the City incorporate formal internal procedures for the monitoring of grants and other loan programs. With assistance from grant managers and program managers, summarized grant and program information should be provided to the finance department such as:

- Copies of grant agreements and budgets
- Copies of material expenditures with proper coding and application of revenues and expenditures
- Copies of reimbursement requests
- Monitoring of grant cash flow

A separate binder or folder could be maintained to house all necessary grant information. This information can then be used to perform reconciliations of grant financial activity. We recommend reconciliations be performed at a minimum, on a quarterly basis.

Management's Response

We concur with the auditors for the year ended June 30, 2012. Finance staff have recently attended a grant management class and will be instructing departments to make copies for Finance of the request for a grant or grants, City Council information, resolutions for matches by the City, the awarded grant, and any other items as needed for the grant. The Finance Department will set up a folder for each grant and follow its process and reconcile the information to the General Ledger and work closely with the department heads.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2012

Finding 2012-04: Account Reconciliations (Material Weakness)

Criteria

Certain deficiencies in the internal control system over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Condition

Upon reviewing City reconciliations that were provided to the auditors during the audit such as cash, accounts receivable, capital assets, accounts payable, accrued liabilities, and unearned revenues, we noted that none of the reconciliations were performed properly. The initial reconciliations or detailed schedules provided did not reconcile the respective balances to the City's general ledger. Some of the issues we encountered included:

- Bank reconciliations did not reconcile to the general ledger.
- Accounts receivable: The AR Aging by Fund schedule displayed a difference between the sub-ledger and the general ledger; however that difference was not identified or investigated.
- Capital assets: No reconciliation of construction in progress had been performed. In addition, journal entries were incorrectly posted to the general fund as opposed to the capital asset group.
- Accounts payable: The accounts payable sub-ledger did not agree to the accounts payable balance. Further, upon assisting in the reconciliation, we noted that there were invoices that were inputted twice into the accounts payable system in addition to entries being deleted from the accounts payable system.
- Accrued liabilities, prepaid expenses, and unearned revenues: No reconciliations were performed.
- Long-term debt: The long-term debt account group was not updated for any of the payments made in 2012.

Cause

The City does not have adequate controls in place to ensure that reconciliations are being performed accurately.

Recommendation

In order to make the financial reports generated by the accounting system as meaningful as possible, the City should reconcile the general ledger accounts to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

Management's Response

We concur with the auditors for the year ended June 30, 2012. We will be reconciling the other items listed above monthly or as needed per postings to the accounts.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2012

Finding 2012-05: Assessing the Needs of the Finance Department (Material Weakness)

Criteria

Timely and accurate reporting of financial information in accordance with Government Accounting Standards Board (GASB) is pertinent to ensuring financial statements are fairly stated in accordance with accounting standards generally accepted in the United States of America.

Condition

In performing this year's audit, we noted conditions that cause us to believe that the City is in need of key finance personnel with governmental accounting experience. For instance, the initial recording of capital outlay expenditures in the fund and the capital asset account group were incorrect; journal entries being prepared that included multiple funds were being posted incorrectly; and there was no indication of information being analyzed regarding other postemployment benefits (OPEB). We also had several conversations regarding basic application of governmental accounting to various transactions, noting that there was a lack of knowledge and understanding.

Cause

Current key personnel in the finance department do not have specialized backgrounds in governmental accounting.

Recommendation

We recommend the City provide training opportunities for the finance department to develop the needed competencies over time; or, consult with another accounting firm/individual regarding the application of governmental accounting.

Management's Response

We concur with the auditors for the year ending June 30, 2012. We will evaluate the areas of deficiency and develop a plan to improve competencies, including additional training for staff.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2012

Finding 2012-06: Implementation of New Accounting Standards (Significant Deficiency - Repeat Finding)

Criteria

Timely implementation of new accounting standards improves accurate financial reporting in accordance with accounting standards generally accepted in the United States of America.

Condition

In the prior year, the City had received a management letter comment regarding the implementation of Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which was required to be implemented for the fiscal year beginning July 1, 2010. As a result of the comment, the City put together a fund balance policy; however, it did not cover all of the requirements of GASB 54, including properly classifying special revenue funds and ensuring that special revenue funds are only used to account for and report proceeds of specific revenue sources that are restricted or committed for specified purposes, other than capital projects or debt service. During our audit we were informed that several funds existed in which proceeds were no longer expected, and/or funds existed that should have been closed out to the general fund.

Cause

The City has no process in place to identify, prepare and implement accounting standards.

Recommendation

We recommend the City implement policies and procedures for staff to receive trainings on new accounting standards issued by the Government Accounting Standards Board (GASB) on an annual basis. Specifically related to GASB 54, the City should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

Management's Response

We concur with the auditors for the year ended June 30, 2012. We will provide training in this area. We will also contact other cities and accounting groups for additional seminars in any new accounting standards.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2012

Finding 2012-07: Inter-fund Loan and Transfer Policy (Significant Deficiency - Repeat Finding)

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

When reviewing the inter-fund loan transactions, we noted that the city did not develop loan repayment schedules or charge interest for most inter-fund advances which add up to more than \$4 million in balances. The inter-fund loan balances may be materially misstated without accruing interest for years.

Cause

The City did not follow Inter-fund Loan and Transfers Policy.

Recommendation

We recommend that the City follow its Inter-fund loan and transfers policy to set up loan repayment schedules with applicable interest rates for all inter-fund advances.

Management's Response

We concur with the auditors for the year ended June 30, 2012. Finance staff will work with the City Treasurer to set up loan repayment schedules.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2012

Finding 2012-08: Preparation of Journal Entries (Significant Deficiency - Repeat Finding)

Criteria

Accounting duties of preparing journal entries and approving journal entries should be properly segregated.

Condition

Our review of the general journal entries revealed that many entries lacked proper approval by a responsible employee. In addition, there were several journal entries proposed that did not balance within each fund. Instead, an automatic entry would be posted to cash in order to balance the fund.

Cause

The City does not have adequate internal controls in place to ensure all financial transactions are properly posted to the general ledger.

Recommendation

We recommend the adoption of a policy whereby all journal entries will be approved by the Finance Manager or other designated member of management. All entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals. We also noted that the explanations accompanying the entries were inadequate in many instances. All journal entries should be accompanied by full explanation and by reference to adequate supporting data. Further, when preparing journal entries by fund, the preparer needs to ensure that they balance. Each fund is accounted for by providing a separate set of self-balancing accounts.

Management's Response

We concur with the auditors for the year ended June 30, 2012. The current Finance staff makes sure that each journal entry is balanced with backup and an edit listing. Another staff employee must review the journal entry listing and backup before the journal is posted. After reviewing the journal, the reviewer must post the journal and sign the final journal entry listing with their initials.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2012

Finding 2012-09: Bank Reconciliations (Significant Deficiency)

Criteria

Certain deficiencies in the internal control system over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Condition

We noted that in the bank reconciliation each month, there are small differences between the bank balance and the general ledger. It is important for the control over cash that this account is reconciled to the penny. Unreconciled differences that appear immaterial can obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be a cause for investigation if the items were apparent. Also, if small differences are not reconciled on a monthly basis, over time, they can build up to a significant amount that will be difficult to reconcile. In preparing the bank reconciliations, all items should be investigated and corrected in that period.

As a result of procedures performed over cash, we noted that there were several long outstanding checks on the bank reconciliations.

Bank reconciliations are prepared by the Finance Manager, but no sign off or review is indicated.

Cause

The City does not have proper controls in place regarding bank reconciliations.

Recommendation

We recommend that the bank reconciliations be reviewed for accuracy and completeness on a timely basis. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary as a result be recorded. If necessary, the accounting clerk who prepares the reconciliations should be given additional training and instruction on how to prepare them accurately and completely.

To aid in the preparation of bank reconciliations and to reflect an accurate cash balance in the financial statements, all checks outstanding more than one year should be investigated and written off.

We recommend that all bank reconciliations be reviewed by the Finance Manager and signed as an indication of approval. We also recommend that the reconciliations be signed and dated by the accountant preparing them. As a prompt to the preparer and reviewer/approver to sign the reconciliation, preprinted reconciliation forms could include a signature block with space for the signatures, or a stamp with a signature block could be applied to the reconciliations.

Management's Response

We concur with the auditors for the year ended June 30, 2012. The bank reconciliations are currently up to date. The reconciliations will be prepared by a staff member and reviewed by the Finance Manager. Initials of the preparer and reviewer will appear on the bank reconciliations.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2012

Finding 2012-10: Notes Receivable (Significant Deficiency)

Criteria

Certain deficiencies in the internal control system over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Condition

Notes receivable were not properly being recorded to the general ledger. In the prior years, loans were recorded in which the loan balances were not due until the property is sold. As the notes receivable were not due in the current year, the entire notes receivable amount should have been offset by deferred revenue in the fund financial statements. In the current year, a new loan was issued and was not recorded to the general ledger.

Cause

The City does not have proper controls in place to adequately record notes receivable.

Recommendation

We recommend that management review the process in place to record new note agreements to the general ledger. All promissory notes and related amortization schedules should be given to the Finance Department timely in order for the notes to be recorded to the general ledger. The Finance Department also needs to assess the note on collectibility in order to determine how to record it in the fund financial statements.

Management's Response

We concur with the auditor. We will record new notes on a timely basis and keep track of any new note agreements.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2012

Finding 2012-11: Payroll (Significant Deficiency)

Criteria

Certain deficiencies in the internal control system over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Condition

Our audit procedures included testing the payroll system controls. Our tests indicated that 5 out of 15 employees had one or more time cards that did not contain documentation of approval by supervisors or managers. Also, we noted an instance of an employee being paid for more hours than were actually worked.

The finance manager reviews the payroll register after every pay period, however there is no indication of review. This control is crucial to the operation of an internal payroll function.

Due to staff turnover, there was no consistent method of allocating salaries and benefits to the respective funds and departments between fiscal years.

Cause

The City does not have proper internal controls surrounding payroll.

Recommendation

Since the time cards are the source document supporting the City's labor expenses, we recommend that employees be required to sign the time card and submit them to their supervisor or manager for approval. The supervisors or managers, who will be generally knowledgeable about their employees' attendance, hours, and work assignments during the pay period, should sign each time card indicating review and approval of hours worked by category (product, job, etc.). The review would determine that the employees have recorded time only when it had actually been worked and that the allocation of time by category was appropriate and reasonable.

To improve the effectiveness of the payroll review, we recommend that the finance manager initial and date the register before checks are disbursed.

We recommend the City perform and obtain a cost allocation plan to allocate overhead expenditures to different departments to ensure that expenses being charged are an accurate reflection of current activity.

Management's Response

We concur with the auditors for the year ended June 30, 2012. The current Finance Manger reviews the payroll each pay period. The payroll is reviewed for accuracy. When finished discussing any changes or no changes to the payroll with the payroll staff, the final register is signed by the Finance Manager. If the Finance Manager is not available, other staff will review the payroll information and sign the documents. The current staff is very careful to make sure that all time sheets and leave reports have a supervisor's approval. The cost allocation sheet which allocates payroll to other departments is reviewed each budget period and in the revised budget to make sure each department is allocating their staff to the proper areas. This has been done since the budget prepared in August 2012.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2012

Finding 2012-12: Utility Accounts Receivable (Significant Deficiency)

Criteria

Certain deficiencies in the internal control system over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Condition

Our audit procedures indicated that initially there was no analysis performed of aged accounts receivable in the proprietary funds. The City was not printing out the required aging report as of year-end; in addition; the City was informed that system capabilities prevented them from printing out the required report.

Cause

The City did not have proper controls in place to review outstanding utility receivables and determine the likelihood of collection.

Recommendation

We recommend that the City print out the utility aging report on the year-end date in order to capture the correct balances needed to analyze collectibility. Such a schedule should be reviewed periodically, to serve as a basis for the investigation of possible errors and the scrutinizing and investigation of accounts which have become old and doubtful of collection unless prompt collection efforts are taken. We recommend that management prepare an analysis of uncollectible accounts at least quarterly. This analysis should consider prior charge-off experience and experience with the customer, as well as other information management may have about the account, such as indications of financial difficulty. Management should adjust the allowance for doubtful accounts after reviewing the analysis of uncollectible accounts and making appropriate collection efforts, in order to collect as much as possible and to ensure that the estimated loss from uncollectible accounts receivable is reflected on the balance sheet.

Management's Response

We concur with the auditors for the year ended June 30, 2012. The EDEN software does not properly report the utility receivables report as needed for the auditors. We are currently going through utility billings that are closed or invoices that are being returned. The Finance staff is reviewing these accounts and sending these bad accounts to the Consumer Credit Bureau (CBA) to be collected if possible. The allowance for doubtful accounts will be reviewed each quarter.

CITY OF RIO VISTA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
JUNE 30, 2012

Finding 2011-01: Restatement of Previously Issued Financial Statements (Material Weakness)

Condition

The City has restated prior year financial statements to correct several accounting errors related to grant revenues, charges for services and expenditures.

Recommendation

We recommend that the City enhance its internal control over financial reporting to ensure complete and accurate financial reporting. The City can accomplish this by expanding its year-end closing procedures to ensure that all routine and nonroutine transactions were accounted for, the appropriate accounting standards were applied, and transactions were accounted for in the proper period.

Status

Not implemented. See 2012-01.

Finding 2011-02: Implementation of New Accounting Standards (Material Weakness)

Condition

Before the start of the audit, the City had not implemented the Governmental Accounting Standards Board (GASB) Statement 54: *Fund Balance Reporting and Governmental Fund Type Definitions*, which were required to be implemented for the fiscal year beginning July 1, 2010.

Recommendation

We recommend the City implement policies and procedures for staff to receive training on new accounting standards issued by the Government Accounting Standards Board (GASB) on an annual basis.

Status

Partially implemented. See 2012-06.

Finding 2011-03: Year-End Closing Procedures (Material Weakness)

Condition

During the performance of the audit, we noted that processes utilized for closing and reporting of financial activity for the fiscal year ended June 30, 2011 were not effective, which contributed to the City's delayed closing of the City's trial balances, and unpreparedness for the audit. The City posted numerous closing adjustments and corrections subsequent to the trial balance being provided for the audit.

Recommendation

We recommend the following:

- The City develop checklists or other guidance documents over the City's closing process to ensure all closing entries are captured in the City's general ledger in a timely manner, and supporting schedules agree or reconcile to respective account balances prior to the trial balance being provided for the audit.
- The City incorporate review procedures and checklists over the City's financial reporting process to ensure accurate and complete preparation of the City's financial statements.

Status

Not implemented. See 2012-02.

CITY OF RIO VISTA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES (continued)
JUNE 30, 2012

Finding 2011-04: Deficiency in following Inter-fund Loan and Transfer Policy (Significant Deficiency)

Condition

When reviewing the inter-fund loan transactions, we noted that the City did not develop loan repayment schedules or charge interest for most inter-fund advances which add up to more than \$4 million in balances.

Recommendation

We recommend that the City follow its Inter-fund loan and transfers policy to set up loan repayment schedules with applicable interest rates for all inter-fund advances.

Status

Not implemented. See 2012-07.

Finding 2011-05: Preparation of Journal Entries (Significant Deficiency)

Condition

The Finance Manager prepared majority of journal entries and posted them to the general ledger without an independent review.

Recommendation

We recommend that the City implement proper controls in the Finance Department to ensure all journal entries are properly posted to the general ledger.

Status

Not implemented. See 2012-08.

Finding 2011-06: Computer Controls (Significant Deficiency)

Condition

During our review of the City's computer operations, we noted the following issues which may jeopardize the City accounting operation when a disaster occurs.

The City does not have a written Disaster Recovery Plan that details the actions required should a disaster occur that affects the computer operations of the City.

The City does not have offsite storage for backup files. All backup data are stored in the City Hall. The possibility exists that tapes could be destroyed by fire or other disaster without the City being able to restore or recreate the computer programs and data.

Recommendation

We recommend the City improve its computer operations by developing a formal Disaster Recovery Plan, and obtaining an offsite storage for backup files to ensure that the accounting operations will not be disrupted when a disaster occurs.

Status

In process. The City now uses a third-party cloud service for back-up. The City is still working on their Disaster Recovery Plan.

CITY OF RIO VISTA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES (continued)
JUNE 30, 2012

Finding 2011-07: Expenditures Exceeding Appropriations and Deficit Fund Balance (Significant Deficiency)

Condition

The City had a significant number of governmental funds that had a deficit fund balance.

The City had a significant number of enterprise funds that had a deficit unrestricted net assets.

The City had a significant number of excess of expenditures over appropriations for various functions.

Recommendation

We recommend that the City adopt budget amendments more frequently for any significant planned expenditures that are made subsequent to the budgeting process, and maintain adequate budgetary controls to prevent expenditures in excess of appropriations or deficits in fund balance.

Status

Not implemented. See footnotes 12 and 13.

Finding 2011-08: Lack of Accounting Policies and Procedures (Significant Deficiency)

Condition

The City's Finance department does not have formal Accounting Policies and Procedures for General Ledger, Journal Entry Preparation and Posting, Billing & Cash Receipts, Cash Disbursement, Payroll, and Capital Assets.

Recommendation

We recommend that the City develop and implement formal accounting policies and procedures manuals. Implementation of accounting policy and procedure manuals will improve consistency in the processes used to complete work and improve the level of control over transactions.

Status

Implemented; however not enforced. See 2012 findings.