



City of Rio Vista
Annual Financial Statements
And
Independent Auditor's Report
For the Year Ended
June 30, 2013

CITY OF RIO VISTA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2015, 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* in considering City of Rio Vista's internal control over financial reporting and compliance.



Sacramento, California
March 9, 2015

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. 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 \$83,023,379 (net position). Of this amount, \$8,666,909 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- City of Rio Vista's total net position increased \$2,224,912.
- At the close of the fiscal year, the City's governmental funds reported combined fund balances of \$9,416,635, an increase of \$815,785 in comparison with the prior year. Approximately 14% of this amount (\$1,308,647) is available for spending at the government's discretion (unassigned fund balance).
- The City's business-type net position amounted to \$66,410,126, an increase of \$1,223,821 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 Position (page 16) presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the past year. All changes in net position 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 water, sewer, airport, and the transit system.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, the City of Rio Vista's major funds are as follows:

- ** General 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 66.

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 any major special revenue funds.

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 water, sewer, airport, 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 Position is found on page 30.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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.

Required Supplementary Information

This section provides budget to actual data and budgetary procedures and can be found beginning on page 61.

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 64.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table presents a summary of the City's assets, liabilities, and net position 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 Position as of June 30, 2013 and 2012 follows:

	Governmental Activities			Business-Type Activities			Total Government		
	2013	2012	Net Change	2013	2012	Net Change	2013	2012	Net Change
ASSETS									
Current and other assets	\$ 10,094	\$ 9,579	\$ 515	\$ 7,761	\$ 6,371	\$ 1,390	\$ 17,855	\$ 15,950	\$ 1,905
Capital assets	<u>8,334</u>	<u>8,703</u>	<u>(369)</u>	<u>60,735</u>	<u>61,143</u>	<u>(408)</u>	<u>69,069</u>	<u>69,846</u>	<u>(777)</u>
Total Assets	<u>18,428</u>	<u>18,282</u>	<u>146</u>	<u>68,496</u>	<u>67,514</u>	<u>982</u>	<u>86,924</u>	<u>85,796</u>	<u>1,128</u>
LIABILITIES									
Long-term liabilities	1,214	1,659	(445)	1,240	1,164	76	2,454	2,823	(369)
Other liabilities	<u>600</u>	<u>781</u>	<u>(181)</u>	<u>845</u>	<u>1,296</u>	<u>(451)</u>	<u>1,445</u>	<u>2,077</u>	<u>(632)</u>
Total Liabilities	<u>1,814</u>	<u>2,440</u>	<u>(626)</u>	<u>2,085</u>	<u>2,460</u>	<u>(375)</u>	<u>3,899</u>	<u>4,900</u>	<u>(1,001)</u>
NET POSITION									
Net investment in capital assets	8,204	8,478	(274)	59,497	59,972	(475)	67,701	68,450	(749)
Restricted	1,560	2,104	(544)	5,096	5,342	(246)	6,656	7,446	(790)
Unrestricted	<u>6,850</u>	<u>5,260</u>	<u>1,590</u>	<u>1,817</u>	<u>(260)</u>	<u>2,077</u>	<u>8,667</u>	<u>5,000</u>	<u>3,667</u>
Total Net Position	<u>\$ 16,614</u>	<u>\$ 15,842</u>	<u>\$ 772</u>	<u>\$ 66,410</u>	<u>\$ 65,054</u>	<u>\$ 1,356</u>	<u>\$ 83,024</u>	<u>\$ 80,896</u>	<u>\$ 2,128</u>

The City's total government-wide net position amounted to \$83,023,379 as of June 30, 2013. This represented an increase of \$2,224,912 over fiscal year 2012. A prior period adjustment of \$97,902 is not reflected in the above chart for FY 11/12, which accounts for the difference in the change in net position. The increase in the change in net position is reflected in the Statement of Activities shown in Table 2 for governmental funds and Table 3 for business-type activities.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

By far, the largest portion of the City of Rio Vista's net position 81.5% 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.

An additional portion of the City of Rio Vista's net position 8.0% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,666,909 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 position increased \$2,224,912 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

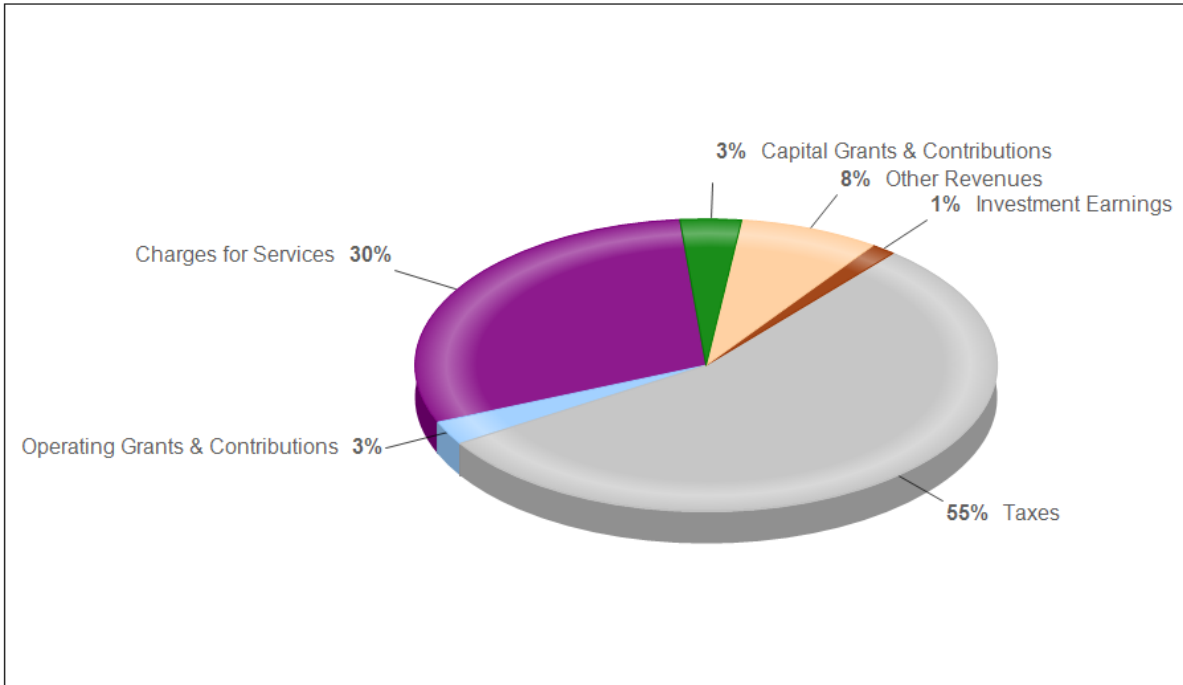
Governmental Activities. During the current fiscal year, net position for governmental activities increased \$1,001,091 from the prior fiscal year for an ending balance of \$16,613,253.

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

	<u>2013</u>	<u>2012</u>
REVENUES		
Charges for services	\$ 1,715,851	\$ 867,648
Operating grants and contributions	150,922	160,119
Capital grants and contributions	192,994	477,609
Taxes	3,131,677	3,492,472
Investment earnings	78,121	110,953
Other	<u>449,013</u>	<u>185,798</u>
Total Revenue	<u>5,718,578</u>	<u>5,294,599</u>
EXPENSES		
General government	552,119	707,437
Public safety	2,736,121	2,493,050
Parks and recreation	336,208	333,468
Development	265,063	366,693
Public Works	822,903	900,207
Interest and fiscal charges	<u>5,073</u>	<u>10,624</u>
Total Expenses	<u>4,717,487</u>	<u>4,811,479</u>
Increase in net position before extraordinary items	1,001,091	483,120
Extraordinary loss	<u>-</u>	<u>(2,038,492)</u>
Change in net position	<u>1,001,091</u>	<u>(1,555,372)</u>
Net position - beginning	15,842,501	16,656,363
Prior period restatement (Note 17)	<u>(230,339)</u>	<u>741,510</u>
Net position - beginning, restated	15,612,162	17,397,873
Net position - ending	<u>\$ 16,613,253</u>	<u>\$ 15,842,501</u>

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Sources of Revenues
Governmental Activities

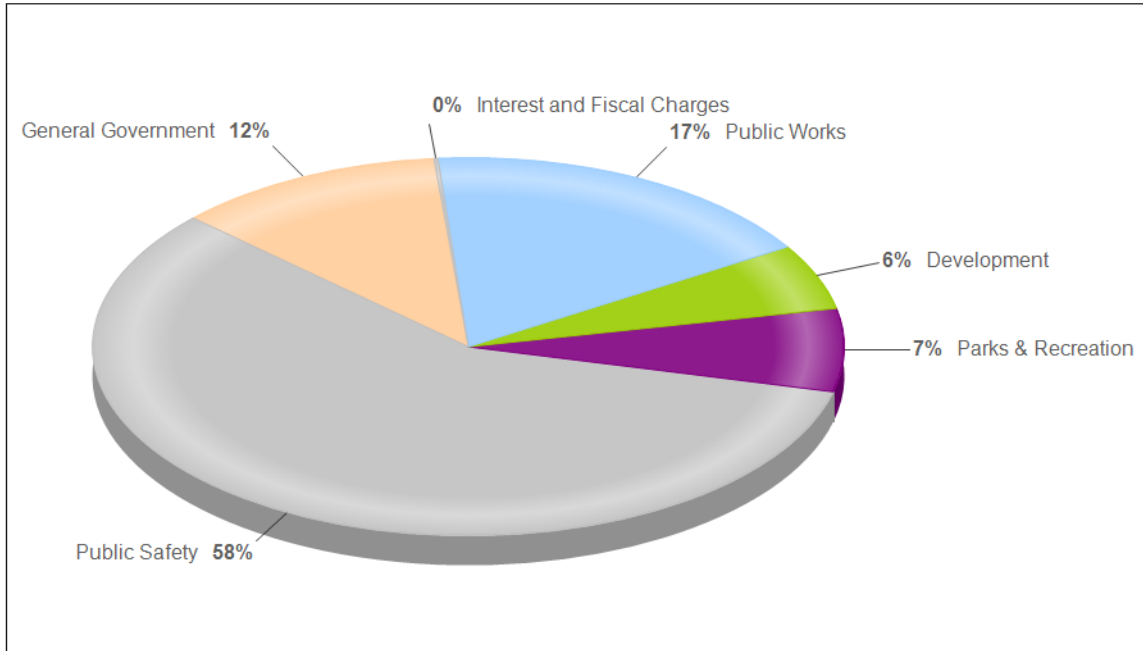


As reflected above, 55% or \$3,131,677 of the City's governmental activities revenues as of June 30, 2013 were comprised of tax increments. Program revenues were 36% of governmental activities. Of this amount, 3% or \$150,922 was derived from operating grants and contributions, 3% or \$192,994 was derived from capital grants and contributions, and 30% or \$1,715,851 was derived from charges for services. The remaining sources of revenues included less than 1% of investment earnings, and 8% of other revenues. Total governmental revenues increased \$423,979 or 8% mainly due to an increase in building permit fees as a result of increased home building activity.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Functional Expenses

Governmental Activities



As identified in the functional expenses chart, 58% or \$2,736,121 of the City's expenses were for public safety. 12% or \$552,119 were for general government expenses. The remaining functional expenses included 17% or \$822,903 for public works, 6% or \$265,063 in development, 7% or \$336,208 in parks and recreation, and less than 1% or \$5,073 in interest and fiscal charges. The City's total governmental expenses decreased \$93,992 from the prior fiscal year.

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

General Government Expenses

General government expenses decreased \$155,318 or 22% mainly due to legal fees incurred in the prior fiscal year that were not incurred in the current fiscal year.

Public Safety Expenses

Public safety expenses increased 10% or \$243,071 mainly due to salary increases, filling vacant positions, increased hiring costs, and equipment purchases.

Development Expenses

Development expenses decreased 28% or \$101,630 mainly due to projects that were completed in the prior fiscal year.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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

	<u>2013</u>	<u>2012</u>
<u>REVENUES</u>		
Charges for services	\$ 7,105,367	\$ 6,780,135
Investment earnings	34,966	24,137
Operating grants and contributions	424,882	542,882
Capital grants and contributions	<u>19,017</u>	<u>-</u>
Total Revenue	<u>7,584,232</u>	<u>7,347,154</u>
<u>EXPENSES</u>		
Water	1,796,220	2,157,283
Beach Drive Treatment facility	1,630,880	1,665,233
NW Wastewater Treatment facility	1,583,664	1,525,102
Airport	583,116	580,635
Business Park	130,174	34,803
Transit	<u>636,357</u>	<u>641,493</u>
Total Expenses	<u>6,360,411</u>	<u>6,604,549</u>
Change in net position	<u>1,223,821</u>	<u>742,605</u>
Net position - beginning	65,053,868	64,020,764
Prior period restatement (Note 17)	<u>132,437</u>	<u>290,499</u>
Net position - beginning, restated	65,186,305	64,311,263
Net position - ending	<u>\$ 66,410,126</u>	<u>\$ 65,053,868</u>

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

Enterprise Funds

In the fiscal year ended June 30, 2013, business-type activities increased the City's net position by \$1,223,821.

Revenues

Charges for services increased \$325,232 or 5% over the prior fiscal year mainly due to an increase in utility rates. Operating grants decreased \$118,000, while capital grants increased \$19,017.

Investment earnings increased \$10,829 or 45% due to the rise in investment returns.

Expenses

Water expenses decreased \$361,063 or 17% mainly due to water tank repairs that occurred in the prior year, but did not occur in the current year, while Business Park expenses increased \$95,371 or 274% mainly due to increased legal fees and payments to the Department of Water Resources for Deed Restriction Removal.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Financial Analysis of the City's Funds

The focus of the City's governmental 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, unassigned fund balance may serve as a useful measure of a government's net spendable resources.

At the end of FY 2013, the City's governmental funds reported combined fund balances of \$9,416,635, an increase of \$815,785 from the prior year. This increase is largely attributable to improved revenue streams from licenses, permits, and fees and charges for services. Of the total fund balance of \$9,416,635 approximately \$3,514,442 is nonspendable, \$1,559,930 is restricted, \$52,262 is committed, \$2,981,354 is assigned for various purposes, and \$1,308,647 is unassigned.

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

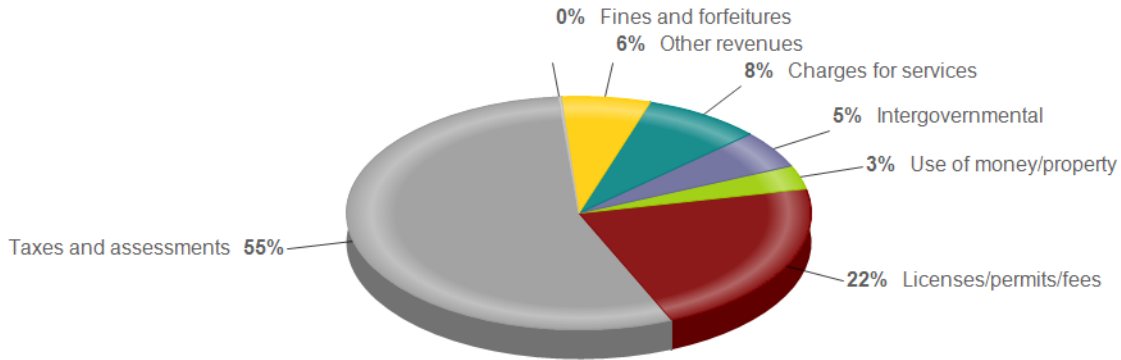
Revenues Classified by Source
Governmental Funds
For the Years Ended June 30, 2013 and 2012

Revenues by Source	2013		2012	
	Amount	% of Total	Amount	% of Total
Taxes and assessments	\$ 3,131,677	55.2 %	\$ 3,557,708	58.0 %
Licenses, permits, and fees	1,230,858	21.7 %	531,171	8.7 %
Fines and forfeitures	10,474	0.2 %	17,743	0.3 %
Use of money and property	187,753	3.3 %	225,850	3.7 %
Intergovernmental revenues	292,335	5.2 %	1,378,014	22.4 %
Charges for services	469,440	8.3 %	322,299	5.3 %
Other revenue	<u>353,656</u>	<u>6.2 %</u>	<u>105,459</u>	<u>1.7 %</u>
Total Revenue	\$ <u>5,676,193</u>	<u>100 %</u>	\$ <u>6,138,244</u>	<u>100 %</u>

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Revenues Classified by Source

Governmental Funds FY 2012-13



Key elements of the changes noted above include:

Taxes and assessments provide the greatest source of revenues for the City. These sources represent 55% of total revenues. Significant decreases occurred in this category for property taxes and motor vehicle and gas taxes when compared to prior fiscal year. These decreases were partially offset by increases in sales tax revenues due to increased consumer confidence and also the implementation of a .75% sales tax increase passed by voters in December 2012 and effective April 1, 2013. Licenses, permits, and fees are the second largest sources of revenues for the City. These sources represent 22% of total revenues. Significant increases occurred in this category due to a utility rate increase and the increased housing activity compared to the prior fiscal year. Intergovernmental revenues reflect revenue received from other agencies for capital projects. During FY 2013, these revenues decreased to 5.2% of revenues, a decrease of 76.7% from FY 2012. The decrease was related to a decrease in federal and state grants received in 2013 versus 2012 for public works and community development activities.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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

Expenditures by Function
Governmental Funds
For the Years Ended June 30, 2013 and 2012
(in thousands)

Expenditures by Function	2013		2012	
	Amount	% of Total	Amount	% of Total
General government	\$ 852,331	17.5 %	\$ 338,109	7.2 %
Public safety	2,594,162	53.4 %	2,451,177	52.0 %
Parks and recreation	236,735	4.9 %	244,838	5.2 %
Development	269,458	5.5 %	319,615	6.8 %
Public Works	703,125	14.5 %	626,000	13.3 %
Debt service				
Principal	94,405	1.9 %	90,130	1.9 %
Interest and other charges	8,908	0.2 %	10,190	0.2 %
Capital outlay	101,284	2.1 %	629,799	13.4 %
Total Expenditures	\$ 4,860,408	100 %	\$ 4,709,858	100 %

Key elements of the changes noted above include:

General government spending appears to have increased by 152% from the prior year, however there was a prior period adjustment for workers' compensation in FY 11/12 (see Note 17), that is not reflected in the above schedule. If the adjustment is taken into account, the increase is reduced to 24%. This increase was mainly due to an increase in contractual services for temporary staffing and additional IT consulting costs. There was also a re-allocation of payroll costs in the current fiscal year that increased the costs charged to general government.

Capital outlay decreased 84% as a result of many capital projects being completed in the prior fiscal year.

Major Funds

General Fund. The General Fund is the main operating fund of the City. At June 30, 2013, the unassigned fund balance of the general fund was \$1,620,910 while the total fund balance amounted to \$2,615,147. The General Fund saw an increase of fund balance of \$231,319. Total revenues increased \$794,235 or 22.4% from the prior fiscal year. This was primarily due to an increase in licenses, permits, and fees. Total expenditures increased \$620,521 or 17.6% as explained above under Key elements.

Other Governmental Funds. Nonmajor governmental funds aggregated to a \$584,466 increase in fund balances mainly due to an increase in licenses, permits, and fees.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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,		
	2013	2012
Transit	\$ 12,072	\$ 84,916
Water	772,020	433,416
Beach Treatment Facility	1,019,669	715,028
NW Wastewater Treatment Facility	(202,332)	(173,167)
Airport	(249,568)	(320,839)
Other Enterprise Funds	(43,280)	53,459
Total	\$ 1,308,581	\$ 792,813

The Enterprise Funds showed an increase of \$515,768 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:

Transit – Net operating income decreased to \$12,072 as a result of a reduction of state and federal grant revenues.

Water – Net operating income increased to \$772,020. Expenditures in the Water Fund decreased from the prior fiscal year expenditure from \$2,157,283 to a total of \$1,796,220 in the current fiscal year mainly due to decreased contractual services for tank repairs. Total current year operating revenues of \$2,568,240 were less than total operating revenues in the prior year by \$22,459. After adding non-operating revenues, the water fund realized an increase in net position of \$786,937.

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 of \$2,581,375 less total operating expenditures of \$1,561,706, result in net operating income of \$1,019,669. After net non-operating expenditures of \$61,730, the Beach Treatment Facility had a net change of assets of \$957,939.

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. Rates were increased in late summer of 2009. The Northwest system connections are all located in Trilogy. Total operating revenues of \$1,381,332 less total operating expenditures of \$1,583,664, resulted in a net operating loss of \$202,332. There was an increase of operating expenditures of \$58,562 due to additional maintenance and repair on equipment. The NW Treatment Facility had a change of net position of \$(195,506).

Airport – The airport's net operating loss of \$249,568 is reduced from the prior year net loss of \$320,839. Depreciation expense of \$260,194 contributes significantly to the net operating loss.

Other Enterprise Funds – This fund, which includes Business Park, resulted in total net operating loss of \$(43,280) in the current fiscal year. Operating revenues of \$87,100 decreased from prior year operating revenue of \$88,262 by \$(1,162).

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013 and 2012, respectively, was \$69,068,323 and \$69,846,362 (net of accumulated depreciation). This investment in capital assets includes: infrastructure, land, buildings, improvements other than buildings, construction in progress and equipment. The total decrease in the City's investment in capital assets for FY 2013 was \$(778,039).

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, 2013 and 2012
(in thousands)

	2013			2012		
	<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	\$ 553,497	\$ 2,522,095	\$ 1,968,598	\$ 433,497	\$ 2,402,095
Construction in progress	-	1,251,326	1,251,326	334,314	1,480,102	1,814,416
Buildings & improvements	2,055,044	44,202,205	46,257,249	1,907,610	45,160,214	47,067,824
Runways	-	6,767,724	6,767,724	-	7,003,999	7,003,999
Vehicles	295,543	203,702	499,245	405,488	271,441	676,929
Equipment	168,500	267,605	436,105	197,633	315,312	512,945
Infrastructure	<u>3,846,076</u>	<u>7,488,503</u>	<u>11,334,579</u>	<u>3,889,136</u>	<u>6,479,018</u>	<u>10,368,154</u>
Total Net Capital Assets	<u>\$ 8,333,761</u>	<u>\$ 60,734,562</u>	<u>\$ 69,068,323</u>	<u>\$ 8,702,779</u>	<u>\$ 61,143,583</u>	<u>\$ 69,846,362</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, 2013, the City's long-term debt outstanding was \$1,432,355. Of this total, \$130,000 was in governmental activities and \$1,302,355 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, 2013

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

<u>Description</u>	<u>2013</u>	<u>2012</u>
Governmental Activities:		
1997 General Obligation Bonds	\$ 130,000	\$ 151,000
Fire Truck Capital Lease	<u>-</u>	<u>73,405</u>
Total Governmental Activity Debt	<u>\$ 130,000</u>	<u>\$ 224,405</u>
Business-type Activities:		
2000 Revenue Bonds	\$ 1,185,000	\$ 1,225,000
Airport Capital Lease	-	9,052
Land Capital Lease	<u>117,355</u>	<u>9,052</u>
Total Business-Type Activity Debt	<u>\$ 1,302,355</u>	<u>\$ 1,234,052</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, 2013, a total of \$28,925,600 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 and Beach Wastewater Facilities in the amounts of \$13,955,000 and \$13,870,000. Also, Reassessment District No. 2007-1R Refunding Bonds had a balance of \$1,100,600. 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 resulted in a sales tax increase of 0.75%, which became 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 you may visit our website at www.riovistacity.com for contact information.

CITY OF RIO VISTA
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments (Note 2)	\$ 5,176,533	\$ 5,210,725	\$ 10,387,258
Accounts receivable, net	727,923	1,103,764	1,831,687
Interest receivable	1,404	1,166	2,570
Due from other governments	-	198,470	198,470
Notes receivable (Note 3)	123,249	-	123,249
Other assets (Note 11)	130,266	-	130,266
Internal balances	3,900,728	(3,900,728)	-
Prepaid items and deposits	20,032	4,490	24,522
Inventory	-	47,554	47,554
Restricted cash and cash equivalents (Note 2)	13,752	5,095,969	5,109,721
Capital assets (Note 5)			
Land and construction in progress	1,968,598	1,804,823	3,773,421
Capital assets being depreciated, net	<u>6,365,163</u>	<u>58,929,739</u>	<u>65,294,902</u>
Total capital assets	<u>8,333,761</u>	<u>60,734,562</u>	<u>69,068,323</u>
Total Assets	<u>\$ 18,427,648</u>	<u>\$ 68,495,972</u>	<u>\$ 86,923,620</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 419,243	\$ 500,382	\$ 919,625
Accrued payroll and benefits	81,420	25,870	107,290
Interest payable	2,713	17,213	19,926
Deposits payable	8,808	79,460	88,268
Unearned revenue	11,121	155,699	166,820
Compensated absences (Note 6):			
Due within one year	54,079	20,919	74,998
Due in more than one year	109,996	42,551	152,547
Landfill post-closure (Note 15):			
Due in more than one year	736,001	-	736,001
Long-term liabilities (Note 6):			
Due within one year	23,000	46,000	69,000
Due in more than one year	107,000	1,197,752	1,304,752
Other postemployment benefits (Note 9)			
Due in more than one year	<u>261,014</u>	<u>-</u>	<u>261,014</u>
Total Liabilities	<u>1,814,395</u>	<u>2,085,846</u>	<u>3,900,241</u>
<u>NET POSITION</u>			
Net investment in capital assets	8,203,761	59,496,810	67,700,571
Restricted for:			
Capital projects	641,012	4,985,193	5,626,205
Debt service	76,090	110,776	186,866
Specific projects and programs	842,828	-	842,828
Unrestricted	<u>6,849,562</u>	<u>1,817,347</u>	<u>8,666,909</u>
Total Net Position	<u>16,613,253</u>	<u>66,410,126</u>	<u>83,023,379</u>
Total Liabilities and Net Position	<u>\$ 18,427,648</u>	<u>\$ 68,495,972</u>	<u>\$ 86,923,620</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	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	\$ 552,119	\$ 220,231	\$ 5,000	\$ -	\$ (326,888)	\$ -	\$ (326,888)
Public safety	2,736,121	237,187	145,922	56,660	(2,296,352)	-	(2,296,352)
Parks and recreation	336,208	82,978	-	-	(253,230)	-	(253,230)
Development	265,063	533,326	-	-	268,263	-	268,263
Public works	822,903	642,129	-	136,334	(44,440)	-	(44,440)
Interest and fiscal charges	5,073	-	-	-	(5,073)	-	(5,073)
Total governmental activities	<u>4,717,487</u>	<u>1,715,851</u>	<u>150,922</u>	<u>192,994</u>	<u>(2,657,720)</u>	<u>-</u>	<u>(2,657,720)</u>
Business-type activities:							
Water	1,796,220	2,568,240	-	-	-	772,020	772,020
Beach Drive treatment facility	1,630,880	2,581,375	-	-	-	950,495	950,495
NW Wastewater treatment facilities	1,583,664	1,381,332	-	-	-	(202,332)	(202,332)
Airport	583,116	333,403	-	-	-	(249,713)	(249,713)
Business park	130,174	87,100	-	-	-	(43,074)	(43,074)
Transit	636,357	153,917	424,882	19,017	-	(38,541)	(38,541)
Total business-type activities	<u>6,360,411</u>	<u>7,105,367</u>	<u>424,882</u>	<u>19,017</u>	<u>-</u>	<u>1,188,855</u>	<u>1,188,855</u>
Total primary government	<u>\$ 11,077,898</u>	<u>\$ 8,821,218</u>	<u>\$ 575,804</u>	<u>\$ 212,011</u>	<u>\$ (2,657,720)</u>	<u>\$ 1,188,855</u>	<u>\$ (1,468,865)</u>
General revenues:							
Property taxes					\$ 1,635,986	\$ -	\$ 1,635,986
Sales taxes					1,151,027	-	1,151,027
Other taxes					344,664	-	344,664
Investment earnings					78,121	34,966	113,087
Rental income					109,632	-	109,632
Miscellaneous					339,381	-	339,381
Total general revenues					<u>3,658,811</u>	<u>34,966</u>	<u>3,693,777</u>
Change in net position					1,001,091	1,223,821	2,224,912
Net position - July 1, 2012					15,842,501	65,053,868	80,896,369
Prior period restatement (Note 17)					(230,339)	132,437	(97,902)
Net position - July 1, 2012, restated					<u>15,612,162</u>	<u>65,186,305</u>	<u>80,798,467</u>
Net position - June 30, 2013					<u>\$ 16,613,253</u>	<u>\$ 66,410,126</u>	<u>\$ 83,023,379</u>

See accompanying notes to the basic financial statements.

**CITY OF RIO VISTA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 496,507	\$ 4,680,026	\$ 5,176,533
Restricted cash and investments	-	13,752	13,752
Accounts receivable	506,474	221,449	727,923
Interest receivable	68	1,336	1,404
Prepaid items	19,782	250	20,032
Due from other funds	839,707	-	839,707
Notes receivable	-	123,249	123,249
Other assets	130,266	-	130,266
Advances to other funds	<u>974,455</u>	<u>2,519,955</u>	<u>3,494,410</u>
 Total Assets	 <u>\$ 2,967,259</u>	 <u>\$ 7,560,017</u>	 <u>\$ 10,527,276</u>
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>			
LIABILITIES			
Accounts payable and accrued expenses	\$ 274,280	\$ 144,963	\$ 419,243
Accrued payroll and benefits	72,024	9,396	81,420
Unearned revenue	-	167,781	167,781
Deposits payable	5,808	3,000	8,808
Due to other funds	-	260,590	260,590
Advances from other funds	<u>-</u>	<u>172,799</u>	<u>172,799</u>
 Total Liabilities	 <u>352,112</u>	 <u>758,529</u>	 <u>1,110,641</u>
FUND BALANCES (DEFICITS)			
Nonspendable	994,237	2,520,205	3,514,442
Restricted	-	1,559,930	1,559,930
Committed	-	52,262	52,262
Assigned	-	2,981,354	2,981,354
Unassigned	<u>1,620,910</u>	<u>(312,263)</u>	<u>1,308,647</u>
 Total Fund Balances (Deficits)	 <u>2,615,147</u>	 <u>6,801,488</u>	 <u>9,416,635</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,967,259</u>	 <u>\$ 7,560,017</u>	 <u>\$ 10,527,276</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 POSITION
JUNE 30, 2013

Total fund balances of governmental funds	\$	9,416,635
Amounts reported for governmental activities in the Statement of Net Position 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 \$5,646,556.		8,333,761
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		100,000
Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.		
Long-term liabilities		(130,000)
Compensated absences		(164,075)
Net OPEB obligation		(261,014)
Landfill closure liability		(736,001)
Interest payable		(2,713)
Certain accounts receivables are not available to pay for current period expenditures and therefore are offset by deferred revenues in the governmental funds.		<u>56,660</u>
Net position of governmental activities	\$	<u>16,613,253</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, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Taxes and assessments	\$ 2,773,677	\$ 358,000	\$ 3,131,677
Licenses, permits, and fees	564,066	666,792	1,230,858
Fines and forfeitures	10,474	-	10,474
Use of money and property	156,350	31,403	187,753
Intergovernmental	26,030	266,305	292,335
Charges for services	469,440	-	469,440
Other revenues	<u>328,202</u>	<u>25,454</u>	<u>353,656</u>
Total Revenues	<u>4,328,239</u>	<u>1,347,954</u>	<u>5,676,193</u>
<u>EXPENDITURES</u>			
Current:			
General administration	835,545	16,786	852,331
Public safety	2,410,320	183,842	2,594,162
Parks and recreation	190,215	46,520	236,735
Development	229,486	39,972	269,458
Public works	390,096	313,029	703,125
Capital outlay	4,734	96,550	101,284
Debt service:			
Principal	73,405	21,000	94,405
Interest and fiscal charges	<u>-</u>	<u>8,908</u>	<u>8,908</u>
Total Expenditures	<u>4,133,801</u>	<u>726,607</u>	<u>4,860,408</u>
Excess (Deficiency) of Revenues over Expenditures	<u>194,438</u>	<u>621,347</u>	<u>815,785</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	36,881	-	36,881
Transfers out	<u>-</u>	<u>(36,881)</u>	<u>(36,881)</u>
Total Other Financing Sources (Uses)	<u>36,881</u>	<u>(36,881)</u>	<u>-</u>
Net Change in Fund Balances	<u>231,319</u>	<u>584,466</u>	<u>815,785</u>
Fund Balances (Deficits) - July 1, 2012	2,088,309	6,872,994	8,961,303
Prior Period Adjustment (Note 17)	<u>295,519</u>	<u>(655,972)</u>	<u>(360,453)</u>
Fund Balances (Deficits) - July 1, 2012, restated	<u>2,383,828</u>	<u>6,217,022</u>	<u>8,600,850</u>
Fund Balances (Deficits) - June 30, 2013	<u>\$ 2,615,147</u>	<u>\$ 6,801,488</u>	<u>\$ 9,416,635</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, 2013

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

Net change in fund balances - total governmental funds	\$	815,785
<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		93,868
Depreciation expense		(462,886)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 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 Position.</p>		
Debt principal payments		94,405
<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>		
		65,623
<p>Receipts of payments and disbursements of funds related to notes and loans receivable are reported as revenue and expenditures, respectively, in governmental funds, but an increase and decrease, respectively, in notes receivable in the Statement of Net Position.</p>		
Loan program receipts		(14,275)
<p>Accrued interest payable is interest due on long-term liabilities. This is the net change in accrued interest in the current period.</p>		
		3,835
<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		(75,132)
Landfill closure		423,208
<p>Some revenues reported in the Statement of Activities will not be collected for several months after year-end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds.</p>		
		<u>56,660</u>
Change in net position of governmental activities	\$	<u><u>1,001,091</u></u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds			
	Transit	Water	Beach Drive Treatment Facility	NW Wastewater Treatment Facility
ASSETS				
Current Assets				
Cash and investments	\$ 258,694	\$ 1,489,805	\$ 202,456	\$ 2,170,939
Restricted cash and investments	-	2,704,985	1,834,628	151,438
Accounts receivable, net	275,271	295,755	356,271	124,540
Interest receivable	81	313	-	381
Prepaid items	-	-	-	-
Inventory	-	-	-	-
Total Current Assets	534,046	4,490,858	2,393,355	2,447,298
Non Current Assets				
Due from other governments	-	-	99,235	-
Advances to other funds	-	438,704	38,705	-
Capital assets:				
Land and construction in progress	-	982,123	379,154	15,049
Depreciable assets, net	196,166	10,534,777	4,627,093	35,791,794
Total Non-Current Assets	196,166	11,955,604	5,144,187	35,806,843
Total Assets	\$ 730,212	\$ 16,446,462	\$ 7,537,542	\$ 38,254,141
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 90,157	\$ 217,761	\$ 96,714	\$ 82,030
Accrued salaries and benefits	10	12,759	7,314	4,328
Accrued interest payable	-	-	17,213	-
Deposits payable	-	59,046	-	-
Due to other funds	-	260,739	-	-
Unearned revenues	-	-	-	-
Compensated absences - current	8	10,433	6,242	3,154
Capital lease - current	-	6,000	-	-
Bonds payable - current	-	-	40,000	-
Total Current Liabilities	90,175	566,738	167,483	89,512
Non-Current Liabilities				
Advances from other funds	-	-	1,383,224	1,383,224
Compensated absences - noncurrent	16	21,219	12,697	6,416
Capital lease - noncurrent	-	111,355	-	-
Bonds payable - noncurrent	-	-	1,086,397	-
Total Non-Current Liabilities	16	132,574	2,482,318	1,389,640
Total Liabilities	90,191	699,312	2,649,801	1,479,152
NET POSITION:				
Net investment in capital assets	196,166	11,405,545	3,879,850	35,806,843
Restricted for debt service	-	-	110,776	-
Restricted for capital projects	-	2,704,985	1,723,852	151,438
Unrestricted	443,855	1,636,620	(826,737)	816,708
Total Net Position	640,021	15,747,150	4,887,741	36,774,989
Total Liabilities and Net Position	\$ 730,212	\$ 16,446,462	\$ 7,537,542	\$ 38,254,141

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF NET POSITION (continued)
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds		
	Airport	Other Enterprise Funds	Totals
ASSETS			
Current Assets			
Cash and investments	\$ -	\$ 1,088,831	\$ 5,210,725
Restricted cash and investments	274,357	130,561	5,095,969
Accounts receivable, net	39,571	12,356	1,103,764
Interest receivable	-	391	1,166
Prepaid items	4,490	-	4,490
Inventory	47,554	-	47,554
Total Current Assets	365,972	1,232,139	11,463,668
Non Current Assets			
Due from other governments	-	99,235	198,470
Advances to other funds	-	-	477,409
Capital assets:			
Land and construction in progress	405,313	23,184	1,804,823
Depreciable assets, net	7,316,323	463,586	58,929,739
Total Non-Current Assets	7,721,636	586,005	61,410,441
Total Assets	\$ 8,087,608	\$ 1,818,144	\$ 72,874,109
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 11,138	\$ 2,582	\$ 500,382
Accrued salaries and benefits	1,085	374	25,870
Accrued interest payable	-	-	17,213
Deposits payable	14,492	5,922	79,460
Due to other funds	189,372	129,006	579,117
Unearned revenues	155,699	-	155,699
Compensated absences - current	857	225	20,919
Capital lease - current	-	-	6,000
Bonds payable - current	-	-	40,000
Total Current Liabilities	372,643	138,109	1,424,660
Non-Current Liabilities			
Advances from other funds	1,032,572	-	3,799,020
Compensated absences - noncurrent	1,745	458	42,551
Capital lease - noncurrent	-	-	111,355
Bonds payable - noncurrent	-	-	1,086,397
Total Non-Current Liabilities	1,034,317	458	5,039,323
Total Liabilities	1,406,960	138,567	6,463,983
NET POSITION:			
Net investment in capital assets	7,721,636	486,770	59,496,810
Restricted for debt service	-	-	110,776
Restricted for capital projects	274,357	130,561	4,985,193
Unrestricted	(1,315,345)	1,062,246	1,817,347
Total Net Position	6,680,648	1,679,577	66,410,126
Total Liabilities and Net Position	\$ 8,087,608	\$ 1,818,144	\$ 72,874,109

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds			
	Transit	Water	Beach Drive Treatment Facility	NW Wastewater Treatment Facility
<u>OPERATING REVENUES</u>				
Charges for services	\$ 45,940	\$ 2,568,240	\$ 2,581,226	\$ 1,380,838
Rents	-	-	-	-
Sale of fuel	-	-	-	-
Grant revenue	424,882	-	-	-
Other revenue	<u>107,977</u>	<u>-</u>	<u>149</u>	<u>494</u>
Total Operating Revenue	<u>578,799</u>	<u>2,568,240</u>	<u>2,581,375</u>	<u>1,381,332</u>
<u>OPERATING EXPENSES</u>				
Salaries and benefits	14,680	430,109	256,174	145,817
Materials, supplies, & operational expenses	143,861	206,490	103,581	75,881
Repairs and maintenance	-	101,230	189,439	188,400
Power and utilities	-	225,988	80,882	119,492
Contractual services	348,372	157,700	758,925	598,110
Professional services	128	20,990	-	-
Insurance	-	-	-	-
Miscellaneous	14,528	46,569	13,429	15,033
Depreciation and amortization	<u>45,158</u>	<u>607,144</u>	<u>159,276</u>	<u>440,931</u>
Total Operating Expenses	<u>566,727</u>	<u>1,796,220</u>	<u>1,561,706</u>	<u>1,583,664</u>
Operating Income (Loss)	<u>12,072</u>	<u>772,020</u>	<u>1,019,669</u>	<u>(202,332)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest income	1,042	14,917	7,238	6,826
Interest expense	-	-	(68,968)	-
Intergovernmental revenues	19,017	-	-	-
Gain (loss) on asset disposal	<u>(69,630)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>(49,571)</u>	<u>14,917</u>	<u>(61,730)</u>	<u>6,826</u>
Change in net position	<u>(37,499)</u>	<u>786,937</u>	<u>957,939</u>	<u>(195,506)</u>
Net Position - July 1, 2012	613,582	14,955,211	3,923,891	36,969,381
Prior period adjustment (Note 17)	<u>63,938</u>	<u>5,002</u>	<u>5,911</u>	<u>1,114</u>
Net Position - July 1, 2012, restated	<u>677,520</u>	<u>14,960,213</u>	<u>3,929,802</u>	<u>36,970,495</u>
Net Position - June 30, 2013	<u>\$ 640,021</u>	<u>\$ 15,747,150</u>	<u>\$ 4,887,741</u>	<u>\$ 36,774,989</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds		
	Airport	Other Enterprise Funds	Totals
<u>OPERATING REVENUES</u>			
Charges for services	\$ -	\$ -	\$ 6,576,244
Rents	158,162	86,425	244,587
Sale of fuel	25,316	-	25,316
Grant revenue	70,730	-	495,612
Other revenue	<u>79,195</u>	<u>675</u>	<u>188,490</u>
Total Operating Revenue	<u>333,403</u>	<u>87,100</u>	<u>7,530,249</u>
<u>OPERATING EXPENSES</u>			
Salaries and benefits	53,653	12,240	912,673
Materials, supplies, & operational expenses	40,863	95,607	666,283
Repairs and maintenance	19,699	-	498,768
Power and utilities	39,868	1,854	468,084
Contractual services	4,725	3,408	1,871,240
Professional services	-	-	21,118
Insurance	4,883	-	4,883
Miscellaneous	159,086	3,655	252,300
Depreciation and amortization	<u>260,194</u>	<u>13,616</u>	<u>1,526,319</u>
Total Operating Expenses	<u>582,971</u>	<u>130,380</u>	<u>6,221,668</u>
Operating Income (Loss)	<u>(249,568)</u>	<u>(43,280)</u>	<u>1,308,581</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	1,092	3,851	34,966
Interest expense	(145)	-	(69,113)
Intergovernmental revenues	-	-	19,017
Gain (loss) on asset disposal	<u>-</u>	<u>-</u>	<u>(69,630)</u>
Total Non-Operating Revenues (Expenses)	<u>947</u>	<u>3,851</u>	<u>(84,760)</u>
Change in net position	<u>(248,621)</u>	<u>(39,429)</u>	<u>1,223,821</u>
Net Position - July 1, 2012	6,870,301	1,721,502	65,053,868
Prior period adjustment (Note 17)	<u>58,968</u>	<u>(2,496)</u>	<u>132,437</u>
Net Position - July 1, 2012, restated	<u>6,929,269</u>	<u>1,719,006</u>	<u>65,186,305</u>
Net Position - June 30, 2013	<u>\$ 6,680,648</u>	<u>\$ 1,679,577</u>	<u>\$ 66,410,126</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds			
	Transit	Water	Beach Drive Treatment Facility	NW Wastewater Treatment Facility
<u>CASH FLOWS FROM OPERATING</u>				
<u>ACTIVITIES</u>				
Cash received from customers	\$ 495,791	\$ 2,596,369	\$ 2,627,753	\$ 1,377,628
Cash paid to suppliers	(630,731)	(803,665)	(1,378,115)	(1,103,530)
Cash paid to employees	(16,708)	(420,189)	(248,069)	(138,589)
Net Cash Provided by (Used for) Operating Activities	<u>(151,648)</u>	<u>1,372,515</u>	<u>1,001,569</u>	<u>135,509</u>
<u>CASH FLOWS FROM NON-CAPITAL</u>				
<u>FINANCING ACTIVITIES</u>				
Due (to) from other funds	-	-	(96,448)	-
Net Cash Provided by (Used for) Non- Capital Financing Activities	<u>-</u>	<u>-</u>	<u>(96,448)</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND</u>				
<u>RELATED FINANCING ACTIVITIES</u>				
Capital contributions	19,017	-	-	-
Capital debt proceeds	-	117,355	-	-
Loss on disposal of capital assets	69,630	-	-	-
Proceeds received from sale of assets	2,000	-	-	-
Acquisition of capital assets	-	(769,707)	(395,174)	(29,712)
Principal paid on capital debt	-	-	(36,553)	-
Interest paid on capital debt	-	-	(72,415)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>90,647</u>	<u>(652,352)</u>	<u>(504,142)</u>	<u>(29,712)</u>
<u>CASH FLOWS FROM INVESTING</u>				
<u>ACTIVITIES</u>				
Interest and dividends	1,151	18,501	10,400	7,342
Net Cash Provided by Investing Activities	<u>1,151</u>	<u>18,501</u>	<u>10,400</u>	<u>7,342</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(59,850)	738,664	411,379	113,139
Cash and Cash Equivalents - July 1, 2012	<u>318,544</u>	<u>3,456,126</u>	<u>1,625,705</u>	<u>2,209,238</u>
Cash and Cash Equivalents - June 30, 2013	<u>\$ 258,694</u>	<u>\$ 4,194,790</u>	<u>\$ 2,037,084</u>	<u>\$ 2,322,377</u>
<u>Reconciliation of Cash and Cash Equivalents</u>				
<u>to the Statement of Net Position</u>				
Cash and investments	\$ 258,694	\$ 1,489,805	\$ 202,456	\$ 2,170,939
Restricted cash and investments	<u>-</u>	<u>2,704,985</u>	<u>1,834,628</u>	<u>151,438</u>
Cash and Cash Equivalents - June 30, 2013	<u>\$ 258,694</u>	<u>\$ 4,194,790</u>	<u>\$ 2,037,084</u>	<u>\$ 2,322,377</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, 2013

	Business-type Activities - Enterprise Funds		
	Airport	Other Enterprise Funds	Totals
<u>CASH FLOWS FROM OPERATING</u>			
<u>ACTIVITIES</u>			
Cash received from customers	\$ 283,637	\$ 84,300	\$ 7,465,478
Cash paid to suppliers	(327,878)	(103,382)	(4,347,301)
Cash paid to employees	(56,239)	(11,758)	(891,552)
Net Cash Provided by (Used for) Operating Activities	(100,480)	(30,840)	2,226,625
<u>CASH FLOWS FROM NON-CAPITAL</u>			
<u>FINANCING ACTIVITIES</u>			
Due (to) from other funds	85,973	-	(10,475)
Net Cash Provided by (Used for) Non- Capital Financing Activities	85,973	-	(10,475)
<u>CASH FLOWS FROM CAPITAL AND</u>			
<u>RELATED FINANCING ACTIVITIES</u>			
Capital contributions	-	-	19,017
Capital debt proceeds	-	-	117,355
Loss on disposal of capital assets	-	-	69,630
Proceeds received from sale of assets	-	-	2,000
Acquisition of capital assets	-	-	(1,194,593)
Principal paid on capital debt	(9,052)	-	(45,605)
Interest paid on capital debt	(521)	-	(72,936)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(9,573)	-	(1,105,132)
<u>CASH FLOWS FROM INVESTING</u>			
<u>ACTIVITIES</u>			
Interest and dividends	1,092	4,382	42,868
Net Cash Provided by Investing Activities	1,092	4,382	42,868
Net Increase (Decrease) in Cash and Cash Equivalents	(22,988)	(26,458)	1,153,886
Cash and Cash Equivalents - July 1, 2012	297,345	1,245,850	9,152,808
Cash and Cash Equivalents - June 30, 2013	\$ 274,357	\$ 1,219,392	\$ 10,306,694
<u>Reconciliation of Cash and Cash Equivalents</u>			
<u>to the Statement of Net Position</u>			
Cash and investments	\$ -	\$ 1,088,831	\$ 5,210,725
Restricted cash and investments	274,357	130,561	5,095,969
Cash and Cash Equivalents - June 30, 2013	\$ 274,357	\$ 1,219,392	\$ 10,306,694

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, 2013

	<u>Transit</u>	<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 (USED FOR) OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ 12,072	\$ 772,020	\$ 1,019,669	\$ (202,332)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	45,158	607,144	155,829	440,931
Amortization	-	-	3,447	-
Loss on sale of asset	(69,630)	-	-	-
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	(83,008)	(6,129)	46,378	(3,704)
Increase in prepaid expenses	-	-	-	-
Increase in inventory	-	-	-	-
Increase (decrease) in accounts payable	(54,212)	(44,698)	(231,859)	(106,614)
Increase (decrease) in unearned revenue	-	-	-	-
Increase (decrease) in deposits payable	-	34,258	-	-
Increase (decrease) increase in accrued wages	(713)	8,578	5,548	3,568
Increase (decrease) in compensated absences	<u>(1,315)</u>	<u>1,342</u>	<u>2,557</u>	<u>3,660</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (151,648)</u>	<u>\$ 1,372,515</u>	<u>\$ 1,001,569</u>	<u>\$ 135,509</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, 2013

	<u>Airport</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</u>			
Operating Income (Loss)	\$ (249,568)	\$ (43,280)	\$ 1,308,581
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	260,194	13,616	1,522,872
Amortization	-	-	3,447
Loss on sale of asset	-	-	(69,630)
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	30,370	(2,913)	(19,006)
Increase in prepaid expenses	(4,490)	-	(4,490)
Increase in inventory	(32,159)	-	(32,159)
Increase (decrease) in accounts payable	(22,105)	1,142	(458,346)
Increase (decrease) in unearned revenue	(79,033)	-	(79,033)
Increase (decrease) in deposits payable	(1,103)	113	33,268
Increase (decrease) increase in accrued wages	(949)	223	16,255
Increase (decrease) in compensated absences	<u>(1,637)</u>	<u>259</u>	<u>4,866</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (100,480)</u>	<u>\$ (30,840)</u>	<u>\$ 2,226,625</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Private- Purpose Trust Fund</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and investments (Note 2)	\$ 54,593	\$ 2,221,757
Interest receivable	-	347
Restricted cash and investments (Note 2)	<u>-</u>	<u>2,133,785</u>
Total Assets	<u>\$ 54,593</u>	<u>\$ 4,355,889</u>
<u>LIABILITIES</u>		
Accounts payable and other liabilities	\$ 200,592	\$ 11,713
Funds held in trust	<u>-</u>	<u>4,344,176</u>
Total Liabilities	<u>\$ 200,592</u>	<u>\$ 4,355,889</u>
<u>NET POSITION</u>		
Held in trust for private purposes	<u>\$ (145,999)</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Private- Purpose Trust Fund
<u>ADDITIONS</u>	
Taxes and assessments	\$ 237,899
Interest income	<u>2,318</u>
Total Additions	<u>240,217</u>
<u>DEDUCTIONS</u>	
Operating costs	<u>2,044,250</u>
Total Deductions	<u>2,044,250</u>
Change in Fiduciary Net Position	(1,804,033)
Fiduciary Net Position - July 1, 2012	1,005,097
Prior Period Adjustment	<u>652,937</u>
Fiduciary Net Position - July 1, 2012, Restated	<u>1,658,034</u>
Fiduciary Net Position - June 30, 2013	<u>\$ (145,999)</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 unit, which is an entity 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 unit, which is described below, is blended.

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 former 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.

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

Government-wide Financial Statements:

The Statement of Net Position 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 position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. 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.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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.

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, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus

On the government-wide Statement of Net Position 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 position (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 position.
- 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 Position 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 position 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.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013

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, 2013

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 Position 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 position. 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, 2013

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

- a. Net investment in capital assets - 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 position - Consists of net position 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 position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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, 2013

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 July 1, 2013 or later. The City has not determined the effects on the financial statements.

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.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Government Accounting Standards Board Statement No. 69

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. 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.

Government Accounting Standards Board Statement No. 70

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. 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.

Government Accounting Standards Board Statement No. 71

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2013 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	\$ 5,176,533	\$ 13,752	\$ 5,190,285
Business-type activities	<u>5,210,725</u>	<u>5,095,969</u>	<u>10,306,694</u>
Total government-wide cash and investments	<u>10,387,258</u>	<u>5,109,721</u>	<u>15,496,979</u>
Fiduciary activities	<u>2,276,350</u>	<u>2,133,785</u>	<u>4,410,135</u>
Total cash and investments	<u>\$ 12,663,608</u>	<u>\$ 7,243,506</u>	<u>\$ 19,907,114</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Cash and investments were carried at fair value as of June 30, 2013 and consisted of the following:

Cash and Investments

Deposits:	
Cash on hand	\$ 200
Cash in banks	<u>7,905,314</u>
Total cash	<u>7,905,514</u>
Money market funds	7,243,506
Local Agency Investment Fund (LAIF)	<u>4,758,094</u>
Total investments	<u>12,001,600</u>
Total cash and investments	<u>\$ 19,907,114</u>

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.

Authorized Investment Type	Maximum Maturity	Maximum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
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, 2013

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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>
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, 2013:

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Money market funds	\$ 4,998,945	\$ -	\$ 4,998,945
Local Agency Investment Fund	4,758,094	-	4,758,094
Held by bond trustee:			
Money market funds	<u>2,244,561</u>	<u>-</u>	<u>2,244,561</u>
	<u>\$ 12,001,600</u>	<u>\$ -</u>	<u>\$ 12,001,600</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, 2013.

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	\$ 4,998,945			Not rated
Local Agency Investment Fund	4,758,094			Not rated
Held by bond trustee:				
Money market funds	<u>2,244,561</u>	AAAm	Aaa	
	<u>\$ 12,001,600</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, 2013

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, 2013, the carrying amount of the City's deposits was \$7,905,314 and bank balances were \$8,045,531.

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, 2013 were \$123,249. 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, 2013

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	189,372
	Sewer Construction	Overdrawn cash balances	<u>129,006</u>
Total Due to/From			\$ <u>839,707</u>

Advances to/from Other Funds

The composition of interfund balances as of June 30, 2013 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Army Base	\$ 172,799
General Fund	Airport	<u>801,656</u>
Total Governmental Major Fund Advances		<u>974,455</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. No payments were made on the loans during the year ended June 30, 2013.

The Beach Drive Treatment Facility and NW Wastewater Treatment Facility Enterprise Funds borrowed from the Municipal Improvements Capital Project Fund, Parks and Recreation Capital Project Fund, and Water Enterprise Fund the amounts of \$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.

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 and 2013, potentially extending the final payment date. The balance of the loan remained at \$77,409 at June 30, 2013.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4: INTERFUND TRANSACTIONS (CONTINUED)

The Airport Enterprise Fund borrowed \$153,507 from the Municipal Improvement Capital Project Fund during fiscal year 2008. No payments were made during the year ended June 30, 2013.

Interfund Transfers to/from Other Funds

Transfers between funds during the fiscal year ended June 30, 2013 were as follows:

<u>Transfer from</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
Police High Tech Grant	General Fund	Close out fund	\$ 2
Landfill Closure	General Fund	Excess landfill reserves	<u>36,879</u>
		Total Interfund Transfers	\$ <u>36,881</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5: CAPITAL ASSETS

Governmental activities:

	<u>Balance at July 1, 2012</u>	<u>Prior Period Reclass</u>	<u>Balance at July 1, 2012, Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2013</u>
Capital assets not being depreciated							
Land	\$ 1,968,598	\$ -	\$ 1,968,598	\$ -	\$ -	\$ -	\$ 1,968,598
Construction-in-progress	<u>334,314</u>	<u>-</u>	<u>334,314</u>	<u>86,468</u>	<u>-</u>	<u>(420,782)</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,302,912</u>	<u>-</u>	<u>2,302,912</u>	<u>86,468</u>	<u>-</u>	<u>(420,782)</u>	<u>1,968,598</u>
Capital assets being depreciated							
Buildings and improvements	4,841,060	(592,346)	4,248,714	-	-	315,365	4,564,079
Vehicles	1,867,229	-	1,867,229	-	-	-	1,867,229
Machinery and equipment	1,066,531	-	1,066,531	7,400	-	-	1,073,931
Infrastructure	<u>3,808,717</u>	<u>592,346</u>	<u>4,401,063</u>	<u>-</u>	<u>-</u>	<u>105,417</u>	<u>4,506,480</u>
Total capital assets being depreciated	<u>11,583,537</u>	<u>-</u>	<u>11,583,537</u>	<u>7,400</u>	<u>-</u>	<u>420,782</u>	<u>12,011,719</u>
Less accumulated depreciation							
Buildings and improvements	(2,400,339)	59,235	(2,341,104)	(167,931)	-	-	(2,509,035)
Vehicles	(1,461,741)	-	(1,461,741)	(109,945)	-	-	(1,571,686)
Machinery and Equipment	(868,898)	-	(868,898)	(36,533)	-	-	(905,431)
Infrastructure	<u>(452,692)</u>	<u>(59,235)</u>	<u>(511,927)</u>	<u>(148,477)</u>	<u>-</u>	<u>-</u>	<u>(660,404)</u>
Total accumulated depreciation	<u>(5,183,670)</u>	<u>-</u>	<u>(5,183,670)</u>	<u>(462,886)</u>	<u>-</u>	<u>-</u>	<u>(5,646,556)</u>
Total capital assets, net	<u>\$ 8,702,779</u>	<u>\$ -</u>	<u>\$ 8,702,779</u>	<u>\$ (369,018)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,333,761</u>

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

Governmental Activities:

General administration	\$ 61,583
Public safety	163,534
Parks and recreation	103,376
Development	307
Public works	<u>134,086</u>
Total governmental activities depreciation expense	<u>\$ 462,886</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5: CAPITAL ASSETS (CONTINUED)

Business-type activities:

	<u>Balance at July 1, 2012</u>	<u>Prior Period Reclass</u>	<u>Balance at July 1, 2012, Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2013</u>
Nondepreciable assets:							
Land	\$ 433,497	\$ -	\$ 433,497	\$ 120,000	\$ -	\$ -	\$ 553,497
Construction-in-progress	<u>1,717,813</u>	<u>(237,711)</u>	<u>1,480,102</u>	<u>1,001,225</u>	<u>(2,787)</u>	<u>(1,227,214)</u>	<u>1,251,326</u>
Total nondepreciable assets	<u>2,151,310</u>	<u>(237,711)</u>	<u>1,913,599</u>	<u>1,121,225</u>	<u>(2,787)</u>	<u>(1,227,214)</u>	<u>1,804,823</u>
Capital assets being depreciated							
Buildings and improvements	53,995,251	-	53,995,251	-	-	-	53,995,251
Runways	10,783,810	-	10,783,810	-	-	-	10,783,810
Machinery and equipment	1,563,670	-	1,563,670	-	-	-	1,563,670
Vehicles	484,251	-	484,251	73,368	(144,025)	-	413,594
Infrastructure	<u>6,819,062</u>	<u>237,711</u>	<u>7,056,773</u>	<u>-</u>	<u>(6,325)</u>	<u>1,227,214</u>	<u>8,277,662</u>
Total capital assets being depreciated	<u>73,646,044</u>	<u>237,711</u>	<u>73,883,755</u>	<u>73,368</u>	<u>(150,350)</u>	<u>1,227,214</u>	<u>75,033,987</u>
Less accumulated depreciation							
Buildings and improvements	(8,835,037)	-	(8,835,037)	(958,009)	-	-	(9,793,046)
Runways	(3,779,811)	-	(3,779,811)	(236,275)	-	-	(4,016,086)
Machinery and equipment	(1,292,229)	-	(1,292,229)	(67,739)	-	-	(1,359,968)
Vehicles	(168,939)	-	(168,939)	(49,445)	72,395	-	(145,989)
Infrastructure	<u>(577,755)</u>	<u>-</u>	<u>(577,755)</u>	<u>(211,404)</u>	<u>-</u>	<u>-</u>	<u>(789,159)</u>
Total accumulated depreciation	<u>(14,653,771)</u>	<u>-</u>	<u>(14,653,771)</u>	<u>(1,522,872)</u>	<u>72,395</u>	<u>-</u>	<u>(16,104,248)</u>
Total capital assets, net	<u>\$ 61,143,583</u>	<u>\$ -</u>	<u>\$ 61,143,583</u>	<u>\$ (328,279)</u>	<u>\$ (80,742)</u>	<u>\$ -</u>	<u>\$ 60,734,562</u>

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

Water	\$ 607,144
Beach Drive Treatment Facility	155,829
NW Wastewater Treatment Facility	440,931
Airport	260,194
Business Park	13,616
Transit	<u>45,158</u>
Total business-type activities depreciation expense	<u>\$ 1,522,872</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Current Portion</u>
Governmental activities:					
Compensated absences	\$ 229,698	\$ 69,050	\$ (134,673)	\$ 164,075	\$ 54,079
1977 Firehouse General Obligation Bonds	151,000	-	(21,000)	130,000	23,000
Fire Truck Capital Lease	<u>73,405</u>	<u>-</u>	<u>(73,405)</u>	<u>-</u>	<u>-</u>
Total Governmental activities	<u>\$ 454,103</u>	<u>\$ 69,050</u>	<u>\$ (229,078)</u>	<u>\$ 294,075</u>	<u>\$ 77,079</u>

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Current Portion</u>
Business-type activities:					
Compensated absences	\$ 58,604	\$ 26,711	\$ (21,845)	\$ 63,470	\$ 20,919
2000 Water and Wastewater Revenue Bonds	1,225,000	-	(40,000)	1,185,000	40,000
Airport Hangar Capital Lease	9,052	-	(9,052)	-	-
Land Capital Lease	-	120,000	(2,645)	117,355	6,000
Less: unamortized discounts	<u>(62,050)</u>	<u>-</u>	<u>3,447</u>	<u>(58,603)</u>	<u>-</u>
Total Business-type activities	<u>\$ 1,230,606</u>	<u>\$ 146,711</u>	<u>\$ (70,095)</u>	<u>\$ 1,307,222</u>	<u>\$ 66,919</u>

A description of the long-term liabilities related to governmental activities at June 30, 2013 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 lease was paid off during the current year. The fire truck is included in capital assets at \$46,920, net of accumulated depreciation of \$347,211.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

Governmental Activities Long-Term Liabilities Amortization:

2013 Governmental Activities			
For the Year Ending June 30	Principal	Interest	Total
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
2018	29,000	925	29,925
Total	\$ 130,000	\$ 21,704	\$ 151,704

A description of the long-term liabilities related to business-type activities at June 30, 2013 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, 2013 was 1,089%.

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. The lease was paid off in 2013. The airport hangar is included in capital assets at \$66,707, net of accumulated amortization of \$28,362.

2013 Land Capital Lease

The City entered into a capital ground lease for the purpose of installation of Arsenic filtration equipment for Well 10. The lease has an option to purchase the property at the end of the lease. The capital lease has a 20-year term, beginning in January 2013 and expiring in January 2033. Annual principal payments of \$6,000 are made from water revenues. The land is included in capital assets at \$120,000.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

Business-Type Long-Term Liabilities Amortization

2013 Business-Type Activities			
For the Year Ending June 30	Principal	Interest	Total
2014	\$ 46,000	\$ 66,838	\$ 112,838
2015	46,000	64,638	110,638
2016	51,000	62,300	113,300
2017	51,000	59,825	110,825
2018	56,000	57,150	113,150
2019 - 2023	320,000	238,891	558,891
2024 - 2028	420,000	141,056	561,056
2029 - 2034	312,355	25,375	337,730
Total	\$ 1,302,355	\$ 716,073	\$ 2,018,428

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, 2013 were as follows:

Community Facilities District No. 2004-1	\$ 13,955,000
Community Facilities District No. 2006-1	13,870,000
Reassessment District No. 2007-1R Refunding Bonds	1,100,600
Total Special Assessment Debt	\$ 28,925,600

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 a portion of their annual covered salary towards their PERS retirement program. PERS establishes the required contributions but the City pays the employee's share of the required contribution for all but PEPPA members (employees whose start date is after 1/1/13). The following chart identifies the required contributions by plan. The contribution requirement of plan members and the City are established and may be amended by PERS.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

<u>Rate Plan</u>	<u>Employee Rate</u>	<u>Employer Rate</u>	<u>Employer pays Employee Share</u>
Miscellaneous Classic	7.000%	19.890%	Yes
Miscellaneous PEPR	6.250%	6.250%	No
Safety Classic	9.000%	35.173%	Yes
Safety PEPR	11.500%	11.500%	No

Annual Pension Cost

For the fiscal year ended June 30, 2013, the City's annual pension cost (employer contribution) of \$555,552 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, 2011, actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.0 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75 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, 2011 was 16 years for safety employees and 20 years for miscellaneous employees for prior and current service funded liability.

Three Year Trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 366,710	100%	-
2012	\$ 527,539	100%	-
2013	\$ 555,552	100%	-

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 \$336,095 at June 30, 2013. The balance of the Safety Plan side fund was \$850,878 at June 30, 2013.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, the most recent actuarial valuation date, the funding status of the plan, was as follows:

Actuarial accrued liability (AAL)	\$ 773,732
Actuarial value of assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 773,732
Funded ratio	0 %
Covered payroll	\$ 2,188,873
UAAL as a percentage of covered payroll	35.35 %

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2013, the City's annual cost for the healthcare plan was \$89,376. The City's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2013 were as follows:

Annual required contribution	
Service cost at year-end	\$ 53,499
30-year amortization of funded liability	<u>36,896</u>
Total annual required contribution	<u>90,395</u>
Interest on net OPEB obligation	7,434
Adjustment to net OPEB obligation	<u>(8,453)</u>
Total annual OPEB cost	<u>89,376</u>
Employer contributions	(14,244)
Net pension obligation, July 1, 2012	<u>185,882</u>
Net pension obligation, June 30, 2013	<u>\$ 261,014</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, 2011	\$ 77,710	\$ 15,413	20 %	\$ 123,383
June 30, 2012	\$ 75,267	\$ 12,768	17 %	\$ 185,882
June 30, 2013	\$ 89,376	\$ 14,244	16 %	\$ 261,014

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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.

The annual required contribution was determined as part of the June 30, 2013 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 5% 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.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10: FUND BALANCE (CONTINUED)

As of June 30, 2013, fund balances consisted of the following:

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Nonspendable:			
Prepays and Supplies	\$ 19,782	\$ 250	\$ 20,032
Advances	<u>974,455</u>	<u>2,519,955</u>	<u>3,494,410</u>
Total Nonspendable	<u>994,237</u>	<u>2,520,205</u>	<u>3,514,442</u>
Restricted:			
Economic Development	-	149,812	149,812
Debt Service	-	76,090	76,090
Streets and Capital Projects	-	641,012	641,012
Community Development	-	150,547	150,547
Public Safety	-	<u>542,469</u>	<u>542,469</u>
Total Restricted	<u>-</u>	<u>1,559,930</u>	<u>1,559,930</u>
Committed:			
Vehicle Replacement	-	<u>52,262</u>	<u>52,262</u>
Assigned:			
Storm Drain Projects	-	157,723	157,723
Road Way Impact	-	525,633	525,633
Municipal Improvement	-	1,220,035	1,220,035
Hazardous Waste	-	231,375	231,375
Landfill Closure	-	310,794	310,794
Parks and Recreation	-	<u>535,794</u>	<u>535,794</u>
Total Assigned	<u>-</u>	<u>2,981,354</u>	<u>2,981,354</u>
Unassigned	<u>1,620,910</u>	<u>(312,263)</u>	<u>1,308,647</u>
Total	<u>\$ 2,615,147</u>	<u>\$ 6,801,488</u>	<u>\$ 9,416,635</u>

NOTE 11: RISK MANAGEMENT

Coverage

The City is a member of the Northern California Cities Self Insurance Fund (NCCSIF) along with twenty other northern California cities. The NCCSIF is a joint powers authority (JPA) organized in accordance with Article 1, Chapter 5, Division 7, Title 1 of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers' compensation benefits for their employees and to provide excess liability insurance. The NCCSIF provides claims processing, administrative services, risk management services, and actuarial studies. A member from each city governs the NCCSIF. The City Council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. The City does not retain the risk of loss. However, ultimate liability for payment of claims and insurance premiums resides with member cities. The NCCSIF is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If the JPA become insolvent, the City is responsible only to the extent of any deficiency in its equity balance.

The NCCSIF establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claims costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision of inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 11: RISK MANAGEMENT (CONTINUED)

The City's insurance coverage for general liability includes 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.

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

There have been no significant reductions in insurance coverage during the fiscal year. Also, settlements have not exceeded the insurance coverage for the past three fiscal years. The City's equity investment in the NCCSIF of \$130,266 is recorded as an other asset in the General Fund.

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.

NOTE 12: EXCESS EXPENDITURES AND TRANSFERS OVER APPROPRIATIONS

The following funds incurred expenditures and/or transfers in excess of appropriations in the following amounts for the year ended June 30, 2013:

Fund	Final Budget	Actual	Variance
General Fund	\$ 3,790,564	\$ 4,133,801	\$ 343,237
Developers Revolving	12,500	27,745	15,245
Storm Drain	24,471	34,543	10,072
Capital Projects	71,200	86,469	15,269

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

NOTE 13: DEFICIT FUND BALANCES AND NET POSITION

As of June 30, 2013, the following funds had a fund deficit:

Fund	Deficit
Capital Projects	\$ 214,963
Army Base Reuse	97,300

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, 2013, the following funds had a deficit unrestricted net position:

Fund	Deficit
Beach Drive Treatment Facility	\$ 826,737
Airport	1,315,345
Sewer Construction	129,006

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

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 \$3,038,492 in various construction projects that were not complete as of June 30, 2013. Construction completed and paid subsequent to June 30, 2013 on these projects was \$2,811,277.

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.

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, 2013, the City has accrued \$736,001 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 \$59,080.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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	Recording of NCCSIF member equity	\$ 347,374
General Fund	Accounts receivable reconciliation	(43,503)
General Fund	Accrued liabilities reconciliation	<u>(8,352)</u>
	Total General Fund	<u>295,519</u>
ATOD Grant	Accounts receivable and prepaid reconciliation	(698)
Gas Tax	Gas tax revenue reconciliation	24,903
Developers Revolving	Accounts receivable reconciliation	(27,012)
CDBG	Repayment of interfund receivable	(652,937)
Army Base Reuse	Accounts receivable reconciliation	<u>(228)</u>
	Total Governmental Fund Balance Restatement	<u>\$ (360,453)</u>
<u>Proprietary funds</u>		
Water	Accrued benefits reconciliation	\$ 5,002
Airport	Accounts receivable reconciliation	(4,152)
Airport	Grant revenue reconciliation	61,847
Airport	Accrued benefits reconciliation	<u>1,273</u>
	Total Airport	<u>58,968</u>
Beach Drive Treatment Facility	Accrued liabilities reconciliation	5,911
NW Wastewater Treatment Facility	Accrued benefits reconciliation	1,114
Transit	Accrued liabilities reconciliation	(942)
Transit	Grant revenue reconciliation	<u>64,880</u>
Transit	Total Transit	<u>63,938</u>
Business Park	Accounts receivable reconciliation	<u>(2,496)</u>
	Total Proprietary Fund Net Position Restatement	<u>\$ 132,437</u>

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

<u>Description of Restatement</u>	<u>Amount</u>
Fund prior period adjustments	\$ (360,453)
Claims liability write-off	<u>130,114</u>
Fund financial statements	<u>\$ (230,339)</u>

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, 2013

	2012 - 2013			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<u>REVENUES</u>				
Taxes and assessments	\$ 2,628,104	\$ 2,628,104	\$ 2,773,677	\$ 145,573
License, permits, and fees	282,095	307,875	564,066	256,191
Fines and forfeitures	17,000	16,500	10,474	(6,026)
Use of money and property	219,700	174,831	156,350	(18,481)
Intergovernmental	3,600	3,600	26,030	22,430
Charges for services	361,397	312,858	469,440	156,582
Other revenues	<u>32,961</u>	<u>72,000</u>	<u>328,202</u>	<u>256,202</u>
Total Revenues	<u>3,544,857</u>	<u>3,515,768</u>	<u>4,328,239</u>	<u>812,471</u>
<u>EXPENDITURES</u>				
Current:				
General administration	626,239	629,257	835,545	(206,288)
Public safety	2,771,253	2,480,040	2,410,320	69,720
Parks and recreation	1,000	167,897	190,215	(22,318)
Development	154,171	162,192	229,486	(67,294)
Public works	480,904	269,373	390,096	(120,723)
Capital outlay	-	8,400	4,734	3,666
Debt service:				
Principal	<u>76,833</u>	<u>73,405</u>	<u>73,405</u>	<u>-</u>
Total Expenditures	<u>4,110,400</u>	<u>3,790,564</u>	<u>4,133,801</u>	<u>(343,237)</u>
Excess (deficiency) of revenues over expenditures	<u>(565,543)</u>	<u>(274,796)</u>	<u>194,438</u>	<u>1,155,708</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	165,309	36,881	(128,428)
Transfers out	<u>(8,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(8,400)</u>	<u>165,309</u>	<u>36,881</u>	<u>(128,428)</u>
Net change in fund balance	<u>\$ (573,943)</u>	<u>\$ (109,487)</u>	<u>231,319</u>	<u>\$ 1,027,280</u>
Fund balance - July 1, 2012			2,088,309	
Prior period restatement			<u>295,519</u>	
Fund balance - July 1, 2012, restated			<u>2,383,828</u>	
Fund balance - June 30, 2013			<u>\$ 2,615,147</u>	

**CITY OF RIO VISTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

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 %
June 30, 2013	\$ 773,732	\$ -	\$ 773,732	0%	\$ 2,188,873	35 %

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.

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.

CDBG

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.

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.

Capital Projects

This fund is used to account for the City's major capital projects.

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, 2013

Special Revenue Funds						
	Police High Tech Grant	Law Enforcement	Asset Forfeiture	ATOD Grant	Gas Tax	CDBG Housing Rehabilitation
ASSETS						
Cash and investments	\$ -	\$ 147,029	\$ 9,031	\$ 8,154	\$ 625,710	\$ 127,607
Restricted cash and investments	-	-	13,744	-	-	-
Accounts receivable	-	45,467	-	16,873	17,845	(349)
Interest receivable	-	-	-	-	76	40
Prepaid expenses	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	123,249
Advances to other funds	-	-	-	-	-	-
Total Assets	\$ -	\$ 192,496	\$ 22,775	\$ 25,027	\$ 643,631	\$ 250,547
LIABILITIES AND FUND BALANCES						
(DEFICITS)						
LIABILITIES:						
Accounts payable and accrued expenses	\$ -	\$ 5,899	\$ -	\$ 2,593	\$ 1,568	\$ -
Accrued payroll and benefits	-	4,344	2,413	977	1,403	-
Unearned revenues	-	-	-	-	-	100,000
Deposits payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total Liabilities	-	10,243	2,413	3,570	2,971	100,000
FUND BALANCES (DEFICITS):						
Nonspendable	-	-	-	-	-	-
Restricted	-	182,253	20,362	21,457	640,660	150,547
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	-	182,253	20,362	21,457	640,660	150,547
Total Liabilities and Fund Balances (Deficits)	\$ -	\$ 192,496	\$ 22,775	\$ 25,027	\$ 643,631	\$ 250,547

CITY OF RIO VISTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2013

	Special Revenue Funds					Capital Projects
	<u>CDBG</u>	<u>Street Projects</u>	<u>Personnel Services District</u>	<u>Developers Revolving</u>	<u>RV High Green Jobs</u>	<u>Vehicle Replacement</u>
ASSETS						
Cash and investments	\$ -	\$ 33,948	\$ 327,846	\$ 135,381	\$ 70,000	\$ 52,245
Restricted cash and investments	-	-	-	8	-	-
Accounts receivable	-	-	-	18,750	-	-
Interest receivable	-	-	-	-	-	17
Prepaid expenses	-	-	250	-	-	-
Notes receivable	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Total Assets	\$ -	\$ 33,948	\$ 328,096	\$ 154,139	\$ 70,000	\$ 52,262
LIABILITIES AND FUND BALANCES						
(DEFICITS)						
LIABILITIES:						
Accounts payable and accrued expenses	\$ -	\$ 22,475	\$ 9,449	\$ 4,327	\$ 70,000	\$ -
Accrued payroll and benefits	-	-	-	-	-	-
Unearned revenues	-	11,121	-	-	-	-
Deposits payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total Liabilities	-	33,596	9,449	4,327	70,000	-
FUND BALANCES (DEFICITS):						
Nonspendable	-	-	250	-	-	-
Restricted	-	352	318,397	149,812	-	-
Committed	-	-	-	-	-	52,262
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	-	352	318,647	149,812	-	52,262
Total Liabilities and Fund Balances (Deficits)	\$ -	\$ 33,948	\$ 328,096	\$ 154,139	\$ 70,000	\$ 52,262

CITY OF RIO VISTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2013

Capital Projects Funds					
	<u>Storm Drain</u>	<u>Capital Projects</u>	<u>Roadway Impact</u>	<u>Municipal Improvements</u>	<u>Hazardous Waste</u>
<u>ASSETS</u>					
Cash and investments	\$ 155,098	\$ 46,092	\$ 525,402	\$ 1,219,392	\$ 236,791
Restricted cash and investments	-	-	-	-	-
Accounts receivable	4,709	56,660	-	-	19,482
Interest receivable	41	-	231	643	17
Prepaid expenses	-	-	-	-	-
Notes receivable	-	-	-	-	-
Advances to other funds	-	-	-	2,419,955	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,419,955</u>	<u>-</u>
Total Assets	<u>\$ 159,848</u>	<u>\$ 102,752</u>	<u>\$ 525,633</u>	<u>\$ 3,639,990</u>	<u>\$ 256,290</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>(DEFICITS)</u>					
LIABILITIES:					
Accounts payable and accrued expenses	\$ 2,085	\$ 465	\$ -	\$ -	\$ 24,861
Accrued payroll and benefits	40	-	-	-	54
Unearned revenues	-	56,660	-	-	-
Deposits payable	-	-	-	-	-
Due to other funds	-	260,590	-	-	-
Advances from other funds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>2,125</u>	<u>317,715</u>	<u>-</u>	<u>-</u>	<u>24,915</u>
FUND BALANCES (DEFICITS):					
Nonspendable	-	-	-	2,419,955	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	157,723	-	525,633	1,220,035	231,375
Unassigned	-	(214,963)	-	-	-
	<u>-</u>	<u>(214,963)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>157,723</u>	<u>(214,963)</u>	<u>525,633</u>	<u>3,639,990</u>	<u>231,375</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 159,848</u>	<u>\$ 102,752</u>	<u>\$ 525,633</u>	<u>\$ 3,639,990</u>	<u>\$ 256,290</u>

CITY OF RIO VISTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2013

	Capital Project Funds			Debt Service	Total Non-major Governmental Funds
	Landfill Closure	Army Base Reuse	Parks and Recreation	Firehouse Bonds	
ASSETS					
Cash and investments	\$ 274,208	\$ 74,389	\$ 535,628	\$ 76,075	\$ 4,680,026
Restricted cash and investments	-	-	-	-	13,752
Accounts receivable	37,433	4,579	-	-	221,449
Interest receivable	90	-	166	15	1,336
Prepaid expenses	-	-	-	-	250
Notes receivable	-	-	-	-	123,249
Advances to other funds	-	-	100,000	-	2,519,955
Total Assets	\$ 311,731	\$ 78,968	\$ 635,794	\$ 76,090	\$ 7,560,017
LIABILITIES AND FUND BALANCES					
(DEFICITS)					
LIABILITIES:					
Accounts payable and accrued expenses	\$ 858	\$ 383	\$ -	\$ -	\$ 144,963
Accrued payroll and benefits	79	86	-	-	9,396
Unearned revenues	-	-	-	-	167,781
Deposits payable	-	3,000	-	-	3,000
Due to other funds	-	-	-	-	260,590
Advances from other funds	-	172,799	-	-	172,799
Total Liabilities	937	176,268	-	-	758,529
FUND BALANCES (DEFICITS):					
Nonspendable	-	-	100,000	-	2,520,205
Restricted	-	-	-	76,090	1,559,930
Committed	-	-	-	-	52,262
Assigned	310,794	-	535,794	-	2,981,354
Unassigned	-	(97,300)	-	-	(312,263)
Total Fund Balances (Deficits)	310,794	(97,300)	635,794	76,090	6,801,488
Total Liabilities and Fund Balances (Deficits)	\$ 311,731	\$ 78,968	\$ 635,794	\$ 76,090	\$ 7,560,017

CITY OF RIO VISTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

Special Revenue Funds						
	<u>Police High Tech Grant</u>	<u>Law Enforcement</u>	<u>Asset Forfeiture</u>	<u>ATOD Grant</u>	<u>Gas Tax</u>	<u>CDBG Housing Rehabilitation</u>
<u>REVENUES</u>						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ 199,277	\$ -
Licenses, permits, and fees	-	10,185	-	-	-	-
Use of money and property	-	500	82	29	1,671	2,059
Intergovernmental	-	100,000	-	45,922	-	-
Other revenue	-	-	-	-	-	14,275
Total Revenues	<u>-</u>	<u>110,685</u>	<u>82</u>	<u>45,951</u>	<u>200,948</u>	<u>16,334</u>
<u>EXPENDITURES</u>						
Current:						
General administration	-	14,437	-	6	1,044	-
Public safety	-	121,574	-	-	-	-
Parks and recreation	-	-	-	46,520	-	-
Development	-	-	-	-	-	-
Public works	-	-	-	-	110,297	-
Capital outlay	-	7,968	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>143,979</u>	<u>-</u>	<u>46,526</u>	<u>111,341</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(33,294)</u>	<u>82</u>	<u>(575)</u>	<u>89,607</u>	<u>16,334</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers out	(2)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(2)</u>	<u>(33,294)</u>	<u>82</u>	<u>(575)</u>	<u>89,607</u>	<u>16,334</u>
Fund balances (deficits) - July 1, 2012	2	215,547	20,280	22,730	526,150	134,213
Prior period adjustment (Note 17)	-	-	-	(698)	24,903	-
Fund balances (deficits) - July 1, 2012, restated	<u>2</u>	<u>215,547</u>	<u>20,280</u>	<u>22,032</u>	<u>551,053</u>	<u>134,213</u>
Fund balances (deficits) - June 30, 2013	<u>\$ -</u>	<u>\$ 182,253</u>	<u>\$ 20,362</u>	<u>\$ 21,457</u>	<u>\$ 640,660</u>	<u>\$ 150,547</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, 2013

	Special Revenue Funds				Capital Projects	
	<u>CDBG</u>	<u>Street Projects</u>	<u>Personnel Services District</u>	<u>Developers Revolving</u>	<u>RV High Green Jobs</u>	<u>Vehicle Replacement</u>
<u>REVENUES</u>						
Taxes and assessments	\$ -	\$ -	\$ 130,443	\$ -	\$ -	\$ -
Licenses, permits, and fees	-	-	-	-	-	-
Use of money and property	-	257	783	444	-	189
Intergovernmental	-	86,979	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenues	<u>-</u>	<u>87,236</u>	<u>131,226</u>	<u>444</u>	<u>-</u>	<u>189</u>
<u>EXPENDITURES</u>						
Current:						
General administration	-	-	10	-	-	-
Public safety	-	-	62,268	-	-	-
Parks and recreation	-	-	-	-	-	-
Development	-	-	-	27,745	-	-
Public works	1,345	86,979	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>1,345</u>	<u>86,979</u>	<u>62,278</u>	<u>27,745</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,345)</u>	<u>257</u>	<u>68,948</u>	<u>(27,301)</u>	<u>-</u>	<u>189</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>
Net change in fund balances	<u>(1,345)</u>	<u>257</u>	<u>68,948</u>	<u>(27,301)</u>	<u>-</u>	<u>189</u>
Fund balances (deficits) - July 1, 2012	654,282	95	249,699	204,125	-	52,073
Prior period adjustment (Note 17)	<u>(652,937)</u>	<u>-</u>	<u>-</u>	<u>(27,012)</u>	<u>-</u>	<u>-</u>
Fund balances (deficits) - July 1, 2012, restated	<u>1,345</u>	<u>95</u>	<u>249,699</u>	<u>177,113</u>	<u>-</u>	<u>52,073</u>
Fund balances (deficits) - June 30, 2013	<u>\$ -</u>	<u>\$ 352</u>	<u>\$ 318,647</u>	<u>\$ 149,812</u>	<u>\$ -</u>	<u>\$ 52,262</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, 2013

	Capital Project Funds				
	<u>Storm Drain</u>	<u>Capital Projects</u>	<u>Roadway Impact</u>	<u>Municipal Improvements</u>	<u>Hazardous Waste</u>
<u>REVENUES</u>					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees	22,671	-	-	325,243	76,262
Use of money and property	568	38	1,799	5,670	585
Intergovernmental	-	28,404	-	-	5,000
Other revenue	-	-	-	-	-
Total Revenues	<u>23,239</u>	<u>28,442</u>	<u>1,799</u>	<u>330,913</u>	<u>81,847</u>
<u>EXPENDITURES</u>					
Current:					
General administration	370	-	-	-	489
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Development	-	-	-	-	-
Public works	34,173	-	-	-	35,481
Capital outlay	-	86,469	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>34,543</u>	<u>86,469</u>	<u>-</u>	<u>-</u>	<u>35,970</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(11,304)</u>	<u>(58,027)</u>	<u>1,799</u>	<u>330,913</u>	<u>45,877</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(11,304)</u>	<u>(58,027)</u>	<u>1,799</u>	<u>330,913</u>	<u>45,877</u>
Fund balances (deficits) - July 1, 2012	169,027	(156,936)	523,834	3,309,077	185,498
Prior period adjustment (Note 17)	-	-	-	-	-
Fund balances (deficits) - July 1, 2012, restated	<u>169,027</u>	<u>(156,936)</u>	<u>523,834</u>	<u>3,309,077</u>	<u>185,498</u>
Fund balances (deficits) - June 30, 2013	<u>\$ 157,723</u>	<u>\$ (214,963)</u>	<u>\$ 525,633</u>	<u>\$ 3,639,990</u>	<u>\$ 231,375</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, 2013

	Capital Project Funds			Debt Service	Total Non-major Governmental Funds
	Landfill Closure	Army Base Reuse	Parks and Recreation	Firehouse Bonds	
REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ 28,280	\$ 358,000
Licenses, permits, and fees	131,157	-	101,274	-	666,792
Use of money and property	880	13,810	1,843	196	31,403
Intergovernmental	-	-	-	-	266,305
Other revenue	-	11,179	-	-	25,454
Total Revenues	<u>132,037</u>	<u>24,989</u>	<u>103,117</u>	<u>28,476</u>	<u>1,347,954</u>
EXPENDITURES					
Current:					
General administration	3	427	-	-	16,786
Public safety	-	-	-	-	183,842
Parks and recreation	-	-	-	-	46,520
Development	-	12,227	-	-	39,972
Public works	38,734	-	6,020	-	313,029
Capital outlay	-	2,113	-	-	96,550
Debt service:					
Principal	-	-	-	21,000	21,000
Interest and fiscal charges	-	-	-	8,908	8,908
Total Expenditures	<u>38,737</u>	<u>14,767</u>	<u>6,020</u>	<u>29,908</u>	<u>726,607</u>
Excess (Deficiency) of Revenues over Expenditures	<u>93,300</u>	<u>10,222</u>	<u>97,097</u>	<u>(1,432)</u>	<u>621,347</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	(36,879)	-	-	-	(36,881)
Total Other Financing Sources (Uses)	<u>(36,879)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,881)</u>
Net change in fund balances	<u>56,421</u>	<u>10,222</u>	<u>97,097</u>	<u>(1,432)</u>	<u>584,466</u>
Fund balances (deficits) - July 1, 2012	254,373	(107,294)	538,697	77,522	6,872,994
Prior period adjustment (Note 17)	-	(228)	-	-	(655,972)
Fund balances (deficits) - July 1, 2012, restated	<u>254,373</u>	<u>(107,522)</u>	<u>538,697</u>	<u>77,522</u>	<u>6,217,022</u>
Fund balances (deficits) - June 30, 2013	<u>\$ 310,794</u>	<u>\$ (97,300)</u>	<u>\$ 635,794</u>	<u>\$ 76,090</u>	<u>\$ 6,801,488</u>

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.

CITY OF RIO VISTA
NON-MAJOR PROPRIETARY FUNDS
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2013

	<u>Water Construction</u>	<u>Water Capital Assets</u>	<u>Sewer Construction</u>	<u>Sewer Capital Assets</u>	<u>Business Park</u>	<u>Totals</u>
ASSETS						
Current Assets:						
Cash and investments	\$ 515,111	\$ 153,121	\$ -	\$ 166,471	\$ 254,128	\$ 1,088,831
Restricted cash and investments	-	-	130,561	-	-	130,561
Accounts receivable	-	-	-	-	12,356	12,356
Interest receivable	234	64	-	69	24	391
Total Current Assets	<u>515,345</u>	<u>153,185</u>	<u>130,561</u>	<u>166,540</u>	<u>266,508</u>	<u>1,232,139</u>
Non Current Assets:						
Due from other governments	99,235	-	-	-	-	99,235
Capital assets:						
Land and construction in progress	-	-	-	-	23,184	23,184
Depreciable assets, net	-	-	-	-	463,586	463,586
Total Non Current Assets	<u>99,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>486,770</u>	<u>586,005</u>
Total Assets	<u>614,580</u>	<u>153,185</u>	<u>130,561</u>	<u>166,540</u>	<u>753,278</u>	<u>1,818,144</u>
LIABILITIES						
Current liabilities:						
Accounts payable	-	-	-	-	2,582	2,582
Accrued salary and benefits	-	-	-	-	374	374
Deposit payable	-	-	-	-	5,922	5,922
Due to other funds	-	-	129,006	-	-	129,006
Compensated absences - current	-	-	-	-	225	225
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>129,006</u>	<u>-</u>	<u>9,103</u>	<u>138,109</u>
Non Current Liabilities:						
Compensated absences - noncurrent	-	-	-	-	458	458
Total Non Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>458</u>	<u>458</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>129,006</u>	<u>-</u>	<u>9,561</u>	<u>138,567</u>
NET POSITION						
Net investment in capital assets	-	-	-	-	486,770	486,770
Restricted for capital projects	-	-	130,561	-	-	130,561
Unrestricted	<u>614,580</u>	<u>153,185</u>	<u>(129,006)</u>	<u>166,540</u>	<u>256,947</u>	<u>1,062,246</u>
Total Net Position	<u>\$ 614,580</u>	<u>\$ 153,185</u>	<u>\$ 1,555</u>	<u>\$ 166,540</u>	<u>\$ 743,717</u>	<u>\$ 1,679,577</u>

CITY OF RIO VISTA
NON-MAJOR PROPRIETARY FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water Construction</u>	<u>Water Capital Assets</u>	<u>Sewer Construction</u>	<u>Sewer Capital Assets</u>	<u>Business Park</u>	<u>Totals</u>
OPERATING REVENUES:						
Rents	\$ -	\$ -	\$ -	\$ -	\$ 86,425	\$ 86,425
Other revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>675</u>	<u>675</u>
Total Operating Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,100</u>	<u>87,100</u>
OPERATING EXPENSES:						
Salaries & benefits	-	-	-	-	12,240	12,240
Contract services	-	-	-	-	3,408	3,408
Supplies & materials	-	-	-	-	95,607	95,607
Utilities	-	-	-	-	1,854	1,854
Miscellaneous	-	-	-	206	3,449	3,655
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,616</u>	<u>13,616</u>
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>206</u>	<u>130,174</u>	<u>130,380</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(206)</u>	<u>(43,074)</u>	<u>(43,280)</u>
NON OPERATING REVENUES (EXPENSES):						
Interest revenue	<u>1,739</u>	<u>485</u>	<u>519</u>	<u>384</u>	<u>724</u>	<u>3,851</u>
Total Non Operating Revenue	<u>1,739</u>	<u>485</u>	<u>519</u>	<u>384</u>	<u>724</u>	<u>3,851</u>
Change in net position	1,739	485	519	178	(42,350)	(39,429)
Net position - July 1, 2012	612,841	152,700	1,036	166,362	788,563	1,721,502
Prior Period Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,496)</u>	<u>(2,496)</u>
Net position - July 1, 2012, Restated	<u>612,841</u>	<u>152,700</u>	<u>1,036</u>	<u>166,362</u>	<u>786,067</u>	<u>1,719,006</u>
Net position - June 30, 2013	<u>\$ 614,580</u>	<u>\$ 153,185</u>	<u>\$ 1,555</u>	<u>\$ 166,540</u>	<u>\$ 743,717</u>	<u>\$ 1,679,577</u>

CITY OF RIO VISTA
STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water Construction</u>	<u>Water Capital Assets</u>	<u>Sewer Construction</u>	<u>Sewer Capital Assets</u>	<u>Business Park</u>	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>						
Cash received from customers	\$ -	\$ -	\$ -	\$ -	\$ 84,300	\$ 84,300
Cash paid to suppliers	-	-	-	(206)	(103,176)	(103,382)
Cash paid to employees	-	-	-	-	(11,758)	(11,758)
Net cash provided by (used for) operating activities	-	-	-	(206)	(30,634)	(30,840)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>						
Interest and dividends	<u>2,056</u>	<u>571</u>	<u>519</u>	<u>479</u>	<u>757</u>	<u>4,382</u>
Net cash provided by (used for) investing activities	<u>2,056</u>	<u>571</u>	<u>519</u>	<u>479</u>	<u>757</u>	<u>4,382</u>
Net increase (decrease) in cash and cash equivalents	<u>2,056</u>	<u>571</u>	<u>519</u>	<u>273</u>	<u>(29,877)</u>	<u>(26,458)</u>
Cash and Cash Equivalents - July 1, 2012	<u>513,055</u>	<u>152,550</u>	<u>130,042</u>	<u>166,198</u>	<u>284,005</u>	<u>1,245,850</u>
Cash and Cash Equivalents - June 30, 2013	<u>\$ 515,111</u>	<u>\$ 153,121</u>	<u>\$ 130,561</u>	<u>\$ 166,471</u>	<u>\$ 254,128</u>	<u>\$ 1,219,392</u>

CITY OF RIO VISTA
STATEMENT OF CASH FLOWS (continued)
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water Construction</u>	<u>Water Capital Assets</u>	<u>Sewer Construction</u>	<u>Sewer Capital Assets</u>	<u>Business Park</u>	<u>Totals</u>
<u>RECONCILIATION OF OPERATING</u>						
<u>INCOME (LOSS) TO NET CASH</u>						
<u>PROVIDED BY (USED FOR) OPERATING</u>						
<u>ACTIVITIES:</u>						
Operating income (loss)	\$ -	\$ -	\$ -	\$ (206)	\$ (43,074)	\$ (43,280)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	-	-	-	-	13,616	13,616
Changes in assets and liabilities:						
Increase in accounts receivable	-	-	-	-	(2,913)	(2,913)
Increase in accounts payable	-	-	-	-	1,142	1,142
Increase in deposits payable	-	-	-	-	113	113
Increase in accrued wages	-	-	-	-	223	223
Increase in compensated absences	-	-	-	-	259	259
Total adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,440</u>	<u>12,440</u>
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (206)</u>	<u>\$ (30,634)</u>	<u>\$ (30,840)</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.

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 POSITION
AGENCY FUNDS
JUNE 30, 2013

	<u>Riverview Point</u>	<u>Summerset</u>	<u>Summerset L&L District</u>	<u>Community Facilities District 2004-1</u>	<u>Community Facilities District 2006-1</u>	<u>Totals</u>
<u>ASSETS</u>						
Cash and investments	\$ 267,241	\$ 169,953	\$ 162,508	\$ 613,128	\$ 1,008,927	\$ 2,221,757
Restricted cash	-	-	-	1,117,562	1,016,223	2,133,785
Interest receivable	<u>35</u>	<u>63</u>	<u>85</u>	<u>50</u>	<u>114</u>	<u>347</u>
Total Assets	<u>\$ 267,276</u>	<u>\$ 170,016</u>	<u>\$ 162,593</u>	<u>\$ 1,730,740</u>	<u>\$ 2,025,264</u>	<u>\$ 4,355,889</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 44	\$ -	\$ 11,075	\$ 310	\$ 284	\$ 11,713
Agency obligations	<u>267,232</u>	<u>170,016</u>	<u>151,518</u>	<u>1,730,430</u>	<u>2,024,980</u>	<u>4,344,176</u>
Total Liabilities	<u>\$ 267,276</u>	<u>\$ 170,016</u>	<u>\$ 162,593</u>	<u>\$ 1,730,740</u>	<u>\$ 2,025,264</u>	<u>\$ 4,355,889</u>

CITY OF RIO VISTA
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>Riverview Point</u>				
ASSETS				
Cash and investments	\$ 251,683	\$ 478,448	\$ 462,890	\$ 267,241
Accounts receivable	69	-	69	-
Interest receivable	<u>81</u>	<u>34</u>	<u>80</u>	<u>35</u>
Total Assets	<u>\$ 251,833</u>	<u>\$ 478,482</u>	<u>\$ 463,039</u>	<u>\$ 267,276</u>
LIABILITIES				
Accounts payable	\$ 791	\$ 139,309	\$ 140,056	\$ 44
Agency obligations	<u>251,042</u>	<u>159,934</u>	<u>143,744</u>	<u>267,232</u>
Total Liabilities	<u>\$ 251,833</u>	<u>\$ 299,243</u>	<u>\$ 283,800</u>	<u>\$ 267,276</u>
<u>Summerset</u>				
ASSETS				
Cash and investments	\$ 169,319	\$ 162,754	\$ 162,120	\$ 169,953
Accounts receivable	69	-	69	-
Interest receivable	<u>166</u>	<u>63</u>	<u>166</u>	<u>63</u>
Total Assets	<u>\$ 169,554</u>	<u>\$ 162,817</u>	<u>\$ 162,355</u>	<u>\$ 170,016</u>
LIABILITIES				
Agency obligations	<u>\$ 169,554</u>	<u>\$ 531</u>	<u>\$ 69</u>	<u>\$ 170,016</u>
Total Liabilities	<u>\$ 169,554</u>	<u>\$ 531</u>	<u>\$ 69</u>	<u>\$ 170,016</u>
<u>Summerset L&L District</u>				
ASSETS				
Cash and investments	\$ 203,507	\$ 1,441,752	\$ 1,482,751	\$ 162,508
Accounts Receivable	70	-	70	-
Interest Receivable	<u>200</u>	<u>85</u>	<u>200</u>	<u>85</u>
Total Assets	<u>\$ 203,777</u>	<u>\$ 1,441,837</u>	<u>\$ 1,483,021</u>	<u>\$ 162,593</u>
LIABILITIES				
Accounts payable	\$ 28,284	\$ 246,809	\$ 264,018	\$ 11,075
Agency obligations	<u>175,493</u>	<u>227,236</u>	<u>251,211</u>	<u>151,518</u>
Total Liabilities	<u>\$ 203,777</u>	<u>\$ 474,045</u>	<u>\$ 515,229</u>	<u>\$ 162,593</u>
<u>Los Ulpinos</u>				
ASSETS				
Cash and investments	<u>\$ 6,428</u>	<u>\$ 6,470</u>	<u>\$ 12,898</u>	<u>\$ -</u>
Total Assets	<u>\$ 6,428</u>	<u>\$ 6,470</u>	<u>\$ 12,898</u>	<u>\$ -</u>
LIABILITIES				
Agency obligations	<u>\$ 6,428</u>	<u>\$ 20</u>	<u>\$ 6,448</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 6,428</u>	<u>\$ 20</u>	<u>\$ 6,448</u>	<u>\$ -</u>

CITY OF RIO VISTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (continued)
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>Community Facilities District 2004-1</u>				
ASSETS				
Cash and investments	\$ 605,140	\$ 3,316,517	\$ 3,308,529	\$ 613,128
Restricted cash and investments	1,117,485	181	104	1,117,562
Accounts receivable	19	-	19	-
Interest receivable	<u>117</u>	<u>50</u>	<u>117</u>	<u>50</u>
Total Assets	<u>\$ 1,722,761</u>	<u>\$ 3,316,748</u>	<u>\$ 3,308,769</u>	<u>\$ 1,730,740</u>
LIABILITIES				
Accounts payable	\$ 988	\$ 1,136,902	\$ 1,137,580	\$ 310
Agency obligations	<u>1,721,773</u>	<u>1,159,221</u>	<u>1,150,564</u>	<u>1,730,430</u>
Total Liabilities	<u>\$ 1,722,761</u>	<u>\$ 2,296,123</u>	<u>\$ 2,288,144</u>	<u>\$ 1,730,740</u>
<u>Community Facilities District 2006-1</u>				
ASSETS				
Cash and investments	\$ 970,869	\$ 3,282,710	\$ 3,244,652	\$ 1,008,927
Restricted cash and investments	1,016,185	147	109	1,016,223
Accounts receivable	19	-	19	-
Interest receivable	<u>267</u>	<u>114</u>	<u>267</u>	<u>114</u>
Total Assets	<u>\$ 1,987,340</u>	<u>\$ 3,282,971</u>	<u>\$ 3,245,047</u>	<u>\$ 2,025,264</u>
LIABILITIES				
Accounts payable	\$ 967	\$ 1,015,870	\$ 1,016,553	\$ 284
Agency obligations	<u>1,986,373</u>	<u>1,053,823</u>	<u>1,015,216</u>	<u>2,024,980</u>
Total Liabilities	<u>\$ 1,987,340</u>	<u>\$ 2,069,693</u>	<u>\$ 2,031,769</u>	<u>\$ 2,025,264</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash and investments	\$ 2,206,946	\$ 8,688,651	\$ 8,673,840	\$ 2,221,757
Restricted cash and investments	2,133,670	328	213	2,133,785
Accounts receivable	246	-	246	-
Interest receivable	<u>831</u>	<u>346</u>	<u>830</u>	<u>347</u>
Total Assets	<u>\$ 4,341,693</u>	<u>\$ 8,689,325</u>	<u>\$ 8,675,129</u>	<u>\$ 4,355,889</u>
LIABILITIES				
Accounts payable	\$ 31,030	\$ 2,538,890	\$ 2,558,207	\$ 11,713
Agency obligations	<u>4,310,663</u>	<u>2,600,765</u>	<u>2,567,252</u>	<u>4,344,176</u>
Total Liabilities	<u>\$ 4,341,693</u>	<u>\$ 5,139,655</u>	<u>\$ 5,125,459</u>	<u>\$ 4,355,889</u>

OTHER REPORTS



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise City of Rio Vista's basic financial statements and have issued our report thereon dated March 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Rio Vista's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of City of Rio Vista's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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: 2013-01 through 2013-03.

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: 2013-04 through 2013-06.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Rio Vista's financial statements are free from 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 Findings

City of Rio Vista's responses to the findings identified in our audit are 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Mark W. L. CPAs". The signature is written in a cursive, flowing style.

Sacramento, California
March 9, 2015

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013

Finding 2013-01: 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, receivables, accruals, and expenditures.

Cause

During the year under audit, the City lacked 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 are accounted for, the appropriate accounting standards are applied, and transactions are accounted for in the proper period. Quarterly, or semi-annual account reconciliations could be performed to aid in this process.

Management's Response

We concur with the auditors for the year ended June 30, 2013. The Finance department is following the accounting policies and procedures that were adopted in September 2012.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2013

Finding 2013-02: 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

As noted in finding 2013-01, during the year under audit, we noted that processes utilized for the closing and reporting of financial activity were not effective, which contributed to the delayed closing of the City's trial balances for the year ended June 30, 2013. Untimely account reconciliations also opens up the opportunity for increased errors or fraud not being detected timely.

Cause

The City did 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.
- 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 or quarterly basis. A benefit of frequent 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, 2013. The Finance Department has developed 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, 2013

Finding 2013-03: Grant Monitoring (Material Weakness - Repeat Finding)

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.

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 during the year under audit.

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, 2013. Finance staff 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, 2013

Finding 2013-04: 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, 2013. 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, 2013

Finding 2013-05: Payroll (Significant Deficiency - Repeat Finding)

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

During our payroll testing, we encountered one instance in our sample of a missing timecard and one instance in which pay raises for an employee were not properly documented on their Personnel Action Form.

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

In the event of a missing timecard, the payroll clerk should contact the employee and their manager in order to receive the proper documentation to determine hours to be paid. This documentation should be kept along with all other approved timecards.

Each time a pay raise is given to an employee, their personnel action form should be updated and signed as approved by the employee and their supervisor or authorized member of management. The new and approved personnel action form should then serve as the source document to change the employee's rate in the system.

To improve the effectiveness of the payroll review, we recommend that the finance manager initial and date the payroll 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, 2013. The current Finance Director reviews the payroll each pay period for accuracy and to ensure all appropriate documentation is provided (signed and approved timesheets, leave slips, personnel action forms, etc.). Any errors noted by the Finance Director are corrected by the payroll staff and the final register is signed by the Finance Director. The cost allocation sheet which allocates payroll to other departments is reviewed each budget period and in the revised budget to ensure each department is allocating their staff to the proper areas.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2013

Finding 2013-06: Accounts Receivable & Cash Receipts (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

The City currently records the majority of their cash receipts, other than utility billing, on a cash basis as opposed to creating invoices to which payments are subsequently applied. The cash method basis prevents the City from analyzing their receivables balance and knowing the true amount owed to them at a point in time.

Cause

The City did not have proper controls in place to record receivables. The City would record the cash receipt as it came in and then journal the receipt into and out of accounts receivable.

Recommendation

We recommend that receivables be recorded through an invoice. All claims for reimbursement should be processed through the finance department. Month and year-end procedures should be developed to ensure that all receivables are being properly recorded.

Management's Response

We concur with the auditor's for the year-ended June 30, 2013. Staff currently invoices for utility billings, rentals (such as airport hangars), and certain grants. Management will create policies to ensure all claims for reimbursement will be processed through the Finance Department. Staff will invoice for all other receivables where appropriate. Procedures will be put in place to ensure all receivables due to the City are properly recorded at year-end.

CITY OF RIO VISTA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
JUNE 30, 2013

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

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.

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

Repeat finding. See 2013-01.

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

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.

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

Repeat finding. See 2013-02.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2013

Finding 2012-03: Grant Monitoring (Material Weakness)

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.

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.

Status

Repeat finding. See 2013-03.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2013

Finding 2012-04: Account Reconciliations (Material Weakness)

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.

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.

Status

Implemented.

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

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.

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.

Status

Implemented.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2013

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

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.

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.

Status

Implemented.

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

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.

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

Repeat finding. See 2013-04.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2013

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

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.

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.

Status

Implemented.

Finding 2012-09: Bank Reconciliations (Significant Deficiency)

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.

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.

Status

Implemented.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2013

Finding 2012-10: Notes Receivable (Significant Deficiency)

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.

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.

Status

Implemented.

Finding 2012-11: Payroll (Significant Deficiency)

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.

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.

Status

Repeat finding. See 2013-05.

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
JUNE 30, 2013

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

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.

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.

Status

Implemented.