



City of Rio Vista
Annual Financial Statements
And
Independent Auditor's Report
For the Year Ended
June 30, 2014

CITY OF RIO VISTA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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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, 2014, 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, 2014, 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 May 8, 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
May 8, 2015

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. 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 \$84,990,994 (net position). Of this amount, \$10,133,460 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 \$2,002,865 (\$2,093,753 increase in Business-Type Activities and \$90,888 decrease in Governmental Activities).
- At the close of the fiscal year, the City's governmental funds reported combined fund balances of \$9,730,567, an increase of \$313,932 in comparison with the prior year (\$216,292 decrease in General Fund and \$530,224 increase in Other Governmental Funds). Approximately 11% of this amount (\$1,071,337) is available for spending at the government's discretion (unassigned fund balance).
- The City's business-type net position amounted to \$68,468,629, an increase of \$2,093,753 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, 2014

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, 2014, the City of Rio Vista's major fund is 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, business park, 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, 2014

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 - 60 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, 2014 and 2013 follows:

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total Government</u>		
	<u>2014</u>	<u>2013</u>	<u>Net Change</u>	<u>2014</u>	<u>2013</u>	<u>Net Change</u>	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
	ASSETS								
Current and other assets	\$ 10,423	\$ 10,094	\$ 329	\$ 7,771	\$ 7,761	\$ 10	\$ 18,194	\$ 17,855	\$ 339
Capital assets	<u>8,421</u>	<u>8,334</u>	<u>87</u>	<u>62,660</u>	<u>60,735</u>	<u>1,925</u>	<u>71,081</u>	<u>69,069</u>	<u>2,012</u>
Total Assets	<u>18,844</u>	<u>18,428</u>	<u>416</u>	<u>70,431</u>	<u>68,496</u>	<u>1,935</u>	<u>89,275</u>	<u>86,924</u>	<u>2,351</u>
LIABILITIES									
Long-term liabilities	1,565	1,214	351	1,211	1,240	(29)	2,776	2,454	322
Other liabilities	<u>757</u>	<u>600</u>	<u>157</u>	<u>751</u>	<u>845</u>	<u>(94)</u>	<u>1,508</u>	<u>1,445</u>	<u>63</u>
Total Liabilities	<u>2,322</u>	<u>1,814</u>	<u>508</u>	<u>1,962</u>	<u>2,085</u>	<u>(123)</u>	<u>4,284</u>	<u>3,899</u>	<u>385</u>
NET POSITION									
Net investment in capital assets	8,006	8,204	(198)	61,465	59,497	1,968	69,471	67,701	1,770
Restricted	1,762	1,560	202	3,625	5,096	(1,471)	5,387	6,656	(1,269)
Unrestricted	<u>6,755</u>	<u>6,850</u>	<u>(95)</u>	<u>3,379</u>	<u>1,817</u>	<u>1,562</u>	<u>10,134</u>	<u>8,667</u>	<u>1,467</u>
Total Net Position	<u>\$ 16,523</u>	<u>\$ 16,614</u>	<u>\$ (91)</u>	<u>\$ 68,469</u>	<u>\$ 66,410</u>	<u>\$ 2,059</u>	<u>\$ 84,992</u>	<u>\$ 83,024</u>	<u>\$ 1,968</u>

The City's total government-wide net position amounted to \$84,990,994 as of June 30, 2014. This represented an increase of \$2,002,865 over fiscal year 2013. A prior period adjustment of \$35,250 is not reflected in the above chart for FY 12/13, 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, 2014

By far, the largest portion of the City of Rio Vista's net position, 81.7%, 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, 6.3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,133,460 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 \$2,002,865 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

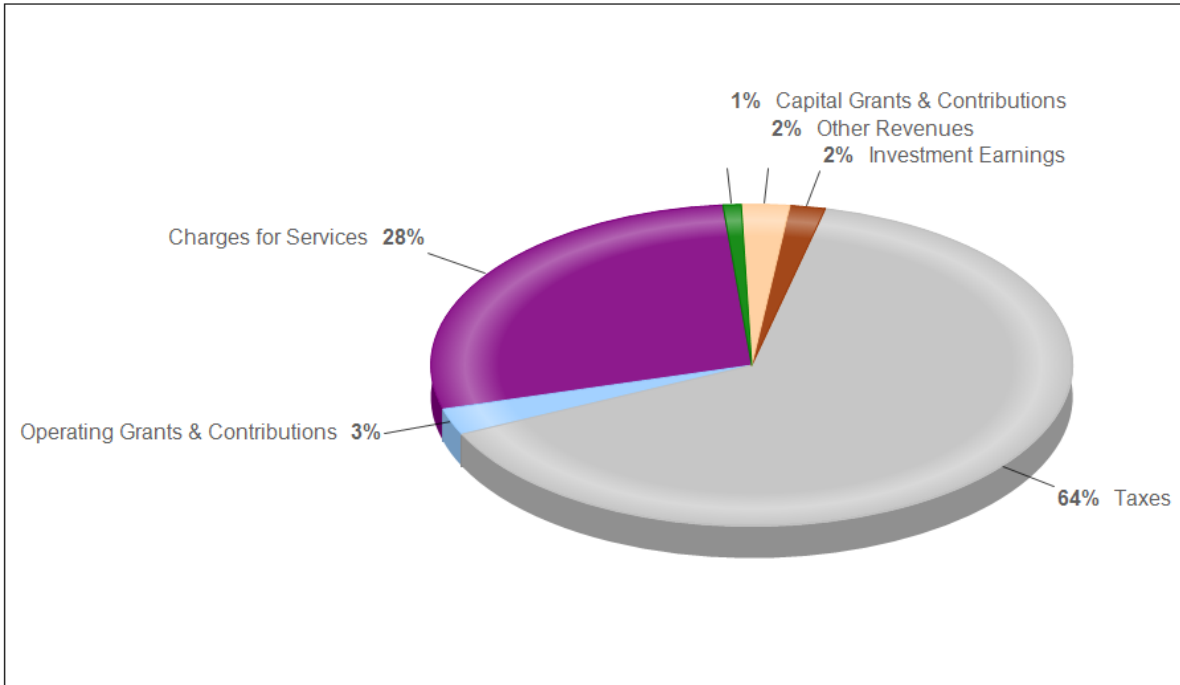
Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$90,888 from the prior fiscal year for an ending balance of \$16,522,365. Revenues increased 4% and expenses increased 28% from prior year. While some expenses were one-time costs, salaries and benefits are ongoing costs. The City Council approved a 6.09% salary increase for all staff effective July 1, 2013, contributing to the negative change in net position.

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

	<u>2014</u>	<u>2013</u>
<u>REVENUES</u>		
Charges for services	\$ 1,659,478	\$ 1,715,851
Operating grants and contributions	153,070	150,922
Capital grants and contributions	52,000	192,994
Taxes	3,789,411	3,131,677
Investment earnings	106,093	78,121
Other	168,184	449,013
Transfers	<u>10,750</u>	<u>-</u>
Total Revenue	<u>5,938,986</u>	<u>5,718,578</u>
<u>EXPENSES</u>		
General government	1,031,421	552,119
Public safety	3,236,753	2,736,121
Parks and recreation	336,377	336,208
Development	410,560	265,063
Public Works	998,604	822,903
Interest and fiscal charges	<u>16,159</u>	<u>5,073</u>
Total Expenses	<u>6,029,874</u>	<u>4,717,487</u>
Change in net position	<u>(90,888)</u>	<u>1,001,091</u>
Net position - beginning	16,613,253	15,842,501
Prior period restatement	<u>-</u>	<u>(230,339)</u>
Net position - beginning, restated	16,613,253	15,612,162
Net position - ending	<u>\$ 16,522,365</u>	<u>\$ 16,613,253</u>

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Sources of Revenues
Governmental Activities

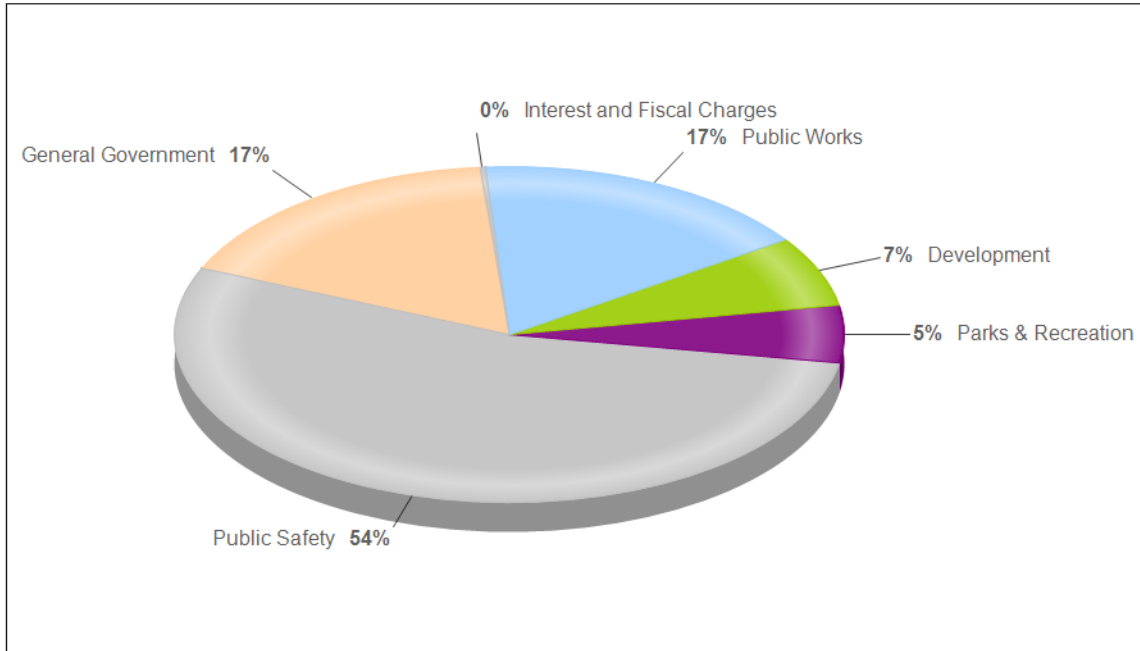


As reflected above, 64% or \$3,789,411 of the City's governmental activities revenues as of June 30, 2014 were comprised of tax increments. Program revenues were 32% of governmental activities. Of this amount, 3% or \$153,070 was derived from operating grants and contributions, 1% or \$52,000 was derived from capital grants and contributions, and 28% or \$1,659,478 was derived from charges for services. The remaining sources of revenues included 2% of investment earnings, and 2% of other revenues. Total governmental revenues increased \$220,408 or 4% mainly due to an increase in property and sales taxes due to the improving economy.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Functional Expenses

Governmental Activities



As identified in the functional expenses chart, 54% or \$3,236,753 of the City's expenses were for public safety. 17% or \$1,031,421 were for general government expenses. The remaining functional expenses included 17% or \$998,604 for public works, 7% or \$410,560 in development, 5% or \$336,377 in parks and recreation, and less than 1% or \$16,159 in interest and fiscal charges. The City's total governmental expenses increased \$1,312,387 from the prior fiscal year.

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

General Government Expenses

General government expenses increased \$479,302 or 87% mainly due to salary increase, filling vacant positions, and the purchase of a new vehicle.

Public Safety Expenses

Public safety expenses increased 18% or \$500,632 mainly due to salary increases, filling vacant positions and the purchase of seven new police vehicles.

Development Expenses

Development expenses increased 55% or \$145,497 mainly due to salary increases, filling vacant positions, and the purchase of a new vehicle.

Public Works Expenses

Public works expenses increased 18% or \$175,701 mainly due to salary increases and increased maintenance and repair costs.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

	<u>2014</u>	<u>2013</u>
<u>REVENUES</u>		
Charges for services	\$ 7,390,265	\$ 7,105,367
Investment earnings	36,084	34,966
Operating grants and contributions	425,334	424,882
Capital grants and contributions	-	19,017
Gain on sale of capital asset	<u>313,965</u>	<u>-</u>
Total Revenue	<u>8,165,648</u>	<u>7,584,232</u>
<u>EXPENSES</u>		
Water	1,743,482	1,796,220
Beach Drive Treatment facility	1,756,240	1,630,880
NW Wastewater Treatment facility	1,565,082	1,583,664
Airport	447,658	583,116
Business Park	62,184	130,174
Transit	486,499	636,357
Transfers	<u>10,750</u>	<u>-</u>
Total Expenses	<u>6,071,895</u>	<u>6,360,411</u>
Change in net position	<u>2,093,753</u>	<u>1,223,821</u>
Net position - beginning	66,410,126	65,053,868
Prior period restatement	<u>(35,250)</u>	<u>132,437</u>
Net position - beginning, restated	66,374,876	65,186,305
Net position - ending	<u>\$ 68,468,629</u>	<u>\$ 66,410,126</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, 2014, business-type activities increased the City's net position by \$2,093,753.

Revenues

Charges for services increased \$284,898 or 4% over the prior fiscal year mainly due to an increase in utility rates. Operating grants increased \$452, while capital grants decreased \$19,017.

Investment earnings increased \$1,118 or 3% due to the rise in investment returns.

Land in the Business Park was sold for a gain of \$313,965.

Expenses

Beach Drive expenses increased \$125,360 or 8% mainly due to an increase in salaries, utilities, and chemicals. Airport Expenses decreased \$135,458 or 23% mainly due to vacant positions and reduced expenditures under the Airport Improvement Program. Business Park expenses decreased \$67,990 or 52% mainly due to legal fees and payments that occurred in the prior year but not the current year. Transit expenses decreased \$149,858 or 24% mainly due to vacant positions, reduced fuel costs and terminating the Greyhound contract.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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 2014, the City's governmental funds reported combined fund balances of \$9,730,567, an increase of \$313,932 from the prior year. This increase is largely attributable to improved revenue streams from taxes and assessments. Measure O, a transactions and use tax, was passed in November 2012 and resulted in a temporary sales tax increase of 0.75%. The total revenues received in FY 2014 from Measure O were \$656,062.

Of the total fund balance of \$9,730,567 approximately \$3,580,122 is nonspendable, \$1,761,545 is restricted, \$102,454 is committed, \$3,215,109 is assigned for various purposes, and \$1,071,337 is unassigned.

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

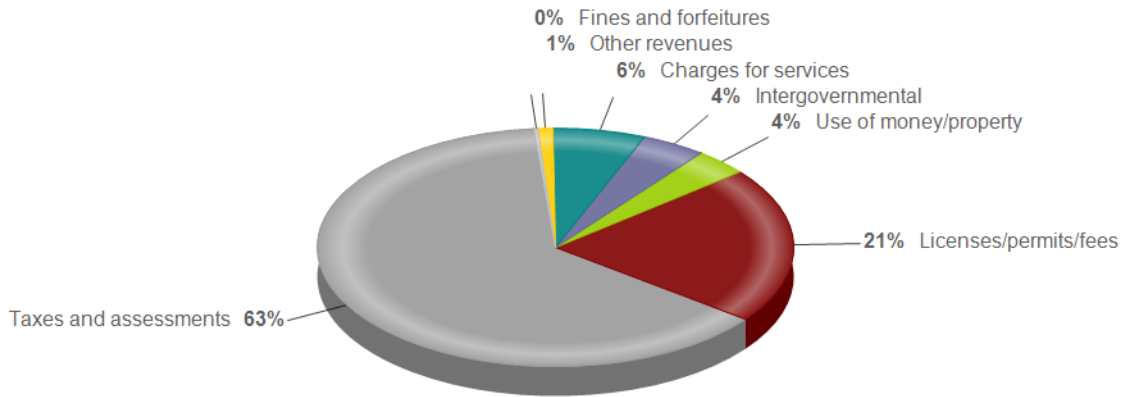
Revenues Classified by Source
Governmental Funds
For the Years Ended June 30, 2014 and 2013

	2014		2013	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Revenues by Source				
Taxes and assessments	\$ 3,789,411	63.3 %	\$ 3,131,677	55.2 %
Licenses, permits, and fees	1,267,207	21.2 %	1,230,858	21.7 %
Fines and forfeitures	14,243	0.2 %	10,474	0.2 %
Use of money and property	212,167	3.5 %	187,753	3.3 %
Intergovernmental revenues	261,730	4.4 %	292,335	5.2 %
Charges for services	378,028	6.3 %	469,440	8.3 %
Other revenue	<u>62,110</u>	<u>1.0 %</u>	<u>353,656</u>	<u>6.2 %</u>
Total Revenue	<u>\$ 5,984,896</u>	<u>100 %</u>	<u>\$ 5,676,193</u>	<u>100 %</u>

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Revenues Classified by Source

Governmental Funds FY 2013-14



Key elements of the changes noted above include:

Taxes and assessments provide the greatest source of revenues for the City. These sources represent 63% of total revenues and increased 21% from prior year mainly due to increase in property, gas, and sales taxes. The most significant increase was in sales taxes due to receiving a full year of Measure O Sales Tax revenue compared to 3 months in the prior year. Charges for services represents 6.3% of total revenues and decreased 19% from prior year mainly due to a decrease in property tax revenues for the Delta Fire District. Other revenues reflect all revenues not included in the individual revenue source categories listed above. Other revenues represent 1% of total revenues and decreased 82% from prior year. The decrease was mainly due to having received a one-time RDA Dissolution Distribution in FY 2013.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

Expenditures by Function
Governmental Funds
For the Years Ended June 30, 2014 and 2013

Expenditures by Function	2014		2013	
	Amount	% of Total	Amount	% of Total
General government	\$ 898,331	14.8 %	\$ 852,331	17.5 %
Public safety	3,042,253	50.1 %	2,594,162	53.4 %
Parks and recreation	271,343	4.5 %	236,735	4.9 %
Development	376,872	6.2 %	269,458	5.5 %
Public Works	755,782	12.5 %	703,125	14.5 %
Debt service				
Principal	101,098	1.7 %	94,405	1.9 %
Interest and other charges	7,781	0.1 %	8,908	0.2 %
Capital outlay	<u>614,452</u>	<u>10.1 %</u>	<u>101,284</u>	<u>2.1 %</u>
Total Expenditures	\$ <u>6,067,912</u>	<u>100 %</u>	\$ <u>4,860,408</u>	<u>100 %</u>

Key elements of the changes noted above include:

Public safety represents 50% of total expenditures and costs increased 17% mainly due to salary increases and filling vacant positions. Development represents 6.3% of total expenditures and costs increased 42% mainly due to salary increases and filling vacant positions. Capital outlay represents 10.1% of total expenditures, and costs increased 507% mainly due to the Waterfront Promenade and Boat Dock projects, the purchase of a diesel fuel riding mower (grant funded), and the purchase of nine new vehicles: seven for the Police Department, one for the City Manager and one for the Planning/Building Department. The vehicle purchases (\$362,166) were funded by a five-year capital lease.

Major Funds

General Fund. The General Fund is the main operating fund of the City. At June 30, 2014, the unassigned fund balance of the general fund was \$1,338,938 while the total fund balance amounted to \$2,398,855. The General Fund saw a decrease of fund balance of \$216,292. Total revenues increased \$148,486 or 3.4% from the prior fiscal year. This was primarily due to an increase in taxes and assessments. Total expenditures increased \$1,059,382 or 25.6% as explained above under Key elements.

Other Governmental Funds. Nonmajor governmental funds aggregated to a \$530,224 increase in fund balances as revenues continue to exceed expenditures.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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,		
	2014	2013
Water	\$ 898,844	\$ 772,020
Beach Treatment Facility	1,169,933	1,019,669
NW Wastewater Treatment Facility	(89,166)	(202,332)
Airport	(205,344)	(249,568)
Other Enterprise Funds	47,025	(31,208)
Total	\$ 1,821,292	\$ 1,308,581

The Enterprise Funds showed an increase of \$512,711 in net operating income (loss) compared to the prior fiscal year. Each Enterprise Fund showed a significant change from the prior year as discussed below:

Water – Net operating income increased to \$898,844. Expenditures in the Water Fund decreased from the prior fiscal year expenditure of \$1,796,220 to a total of \$1,743,482 in the current fiscal year. Total current year operating revenues of \$2,642,326 increased \$74,086 over prior year. After adding non-operating revenues, the water fund realized an increase in net position of \$891,706.

Beach Treatment Facility – Total operating revenues of \$2,859,335 less total operating expenditures of \$1,689,402, resulted in net operating income of \$1,169,933. After net non-operating expenditures of \$57,974, the Beach Treatment Facility had a net change of assets of \$1,116,709.

NW Wastewater Treatment Facility – Total operating revenues of \$1,475,916 less total operating expenditures of \$1,565,082, resulted in a net operating loss of \$89,166. The NW Treatment Facility had a change of net position of \$(76,029).

Airport – The airport's net operating loss of \$205,344 is reduced from the prior year net loss of \$249,568. Depreciation expense of \$251,471 contributed significantly to the net operating loss.

Other Enterprise Funds – This fund, which includes Transit and Business Park, resulted in total net operating income of \$47,025 in the current fiscal year. Operating revenues of \$595,708 decreased from prior year operating revenue of \$665,899 by \$70,191.

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, 2014 and 2013, respectively, was \$71,080,891 and \$69,033,073 (net of accumulated depreciation). This investment in capital assets includes: infrastructure, land, buildings, improvements other than buildings, construction in progress and equipment. The total increase in the City's investment in capital assets for FY 2014 was \$2,047,818.

For government wide financial statement presentation, all depreciable capital assets are depreciated from the acquisition date 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.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Capital Assets (net of depreciation)
As of June 30, 2014 and 2013

	2014			2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 1,968,598	\$ 552,108	\$ 2,520,706	\$ 1,968,598	\$ 553,497	\$ 2,522,095
Construction in progress	14,917	4,050,027	4,064,944	-	1,179,228	1,179,228
Buildings & improvements	2,022,806	43,247,066	45,269,872	2,055,044	44,202,205	46,257,249
Runways	-	6,540,172	6,540,172	-	6,767,724	6,767,724
Equipment	516,941	169,831	686,772	295,543	240,550	536,093
Vehicles	202,152	308,200	510,352	168,500	267,605	436,105
Infrastructure	<u>3,695,552</u>	<u>7,792,521</u>	<u>11,488,073</u>	<u>3,846,076</u>	<u>7,488,503</u>	<u>11,334,579</u>
Total Net Capital Assets	<u>\$ 8,420,966</u>	<u>\$ 62,659,925</u>	<u>\$ 71,080,891</u>	<u>\$ 8,333,761</u>	<u>\$ 60,699,312</u>	<u>\$ 69,033,073</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, 2014, the City's long-term debt outstanding was \$1,671,455. Of this total, \$415,100 was in governmental activities and \$1,256,355 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:

Long-Term Debt
Outstanding Balances
As of June 30,

Description	2014	2013
Governmental Activities:		
1997 General Obligation Bonds	\$ 107,000	\$ 130,000
City Manager Vehicle Lease	19,276	-
Police Vehicles Lease	265,600	-
PG&E Retrofit Loan	<u>23,224</u>	<u>-</u>
Total Governmental Activity Debt	<u>\$ 415,100</u>	<u>\$ 130,000</u>
Business-type Activities:		
2000 Revenue Bonds	\$ 1,145,000	\$ 1,185,000
Land Capital Lease	<u>111,355</u>	<u>117,355</u>
Total Business-Type Activity Debt	<u>\$ 1,256,355</u>	<u>\$ 1,302,355</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, 2014, a total of \$28,210,100 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 \$13,645,000 and \$13,550,000. Also, Reassessment District No. 2007-1R Refunding Bonds had a balance of \$1,015,100. 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.

CITY OF RIO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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. In order to reduce personnel related costs, the City Council is looking to shift a share of the employer paid employee benefits to the employees through labor negotiations.

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, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments (Note 2)	\$ 5,746,325	\$ 6,553,542	\$ 12,299,867
Accounts receivable, net	520,185	1,154,997	1,675,182
Interest receivable	1,264	1,054	2,318
Due from other governments	-	198,470	198,470
Notes receivable (Note 3)	120,496	-	120,496
Other assets (Note 11)	111,392	-	111,392
Internal balances	3,823,606	(3,823,606)	-
Prepaid items and deposits	85,712	4,490	90,202
Inventory	-	56,685	56,685
Restricted cash and cash equivalents (Note 2)	13,807	3,625,397	3,639,204
Capital assets (Note 5)			
Land and construction in progress	1,983,515	4,602,135	6,585,650
Capital assets being depreciated, net	<u>6,437,451</u>	<u>58,057,790</u>	<u>64,495,241</u>
Total capital assets	<u>8,420,966</u>	<u>62,659,925</u>	<u>71,080,891</u>
Total Assets	<u>\$ 18,843,753</u>	<u>\$ 70,430,954</u>	<u>\$ 89,274,707</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 485,820	\$ 397,244	\$ 883,064
Accrued payroll and benefits	86,421	30,839	117,260
Interest payable	11,091	17,213	28,304
Deposits payable	8,858	83,369	92,227
Unearned revenue	11,121	155,699	166,820
Compensated absences (Note 6):			
Due within one year	61,610	21,227	82,837
Due in more than one year	161,185	55,535	216,720
Landfill post-closure (Note 15):			
Due in more than one year	741,263	-	741,263
Long-term liabilities (Note 6):			
Due within one year	91,926	46,000	137,926
Due in more than one year	323,174	1,155,199	1,478,373
Other postemployment benefits (Note 9)			
Due in more than one year	<u>338,919</u>	<u>-</u>	<u>338,919</u>
Total Liabilities	<u>2,321,388</u>	<u>1,962,325</u>	<u>4,283,713</u>
<u>NET POSITION</u>			
Net investment in capital assets	8,005,866	61,464,726	69,470,592
Restricted for:			
Capital projects	776,717	3,514,635	4,291,352
Debt service	81,030	110,762	191,792
Specific projects and programs	903,798	-	903,798
Unrestricted	<u>6,754,954</u>	<u>3,378,506</u>	<u>10,133,460</u>
Total Net Position	<u>16,522,365</u>	<u>68,468,629</u>	<u>84,990,994</u>
Total Liabilities and Net Position	<u>\$ 18,843,753</u>	<u>\$ 70,430,954</u>	<u>\$ 89,274,707</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 1,031,421	\$ 231,672	\$ 5,000	\$ -	\$ (794,749)	\$ -	\$ (794,749)
Public safety	3,236,753	126,839	148,070	-	(2,961,844)	-	(2,961,844)
Parks and recreation	336,377	83,312	-	-	(253,065)	-	(253,065)
Development	410,560	546,258	-	-	135,698	-	135,698
Public works	998,604	671,397	-	52,000	(275,207)	-	(275,207)
Interest and fiscal charges	16,159	-	-	-	(16,159)	-	(16,159)
Total governmental activities	<u>6,029,874</u>	<u>1,659,478</u>	<u>153,070</u>	<u>52,000</u>	<u>(4,165,326)</u>	<u>-</u>	<u>(4,165,326)</u>
Business-type activities:							
Water	1,743,482	2,642,326	-	-	-	898,844	898,844
Beach Drive treatment facility	1,756,240	2,859,335	-	-	-	1,103,095	1,103,095
NW Wastewater treatment facilities	1,565,082	1,475,916	-	-	-	(89,166)	(89,166)
Airport	447,658	242,314	-	-	-	(205,344)	(205,344)
Business park	62,184	84,836	-	-	-	22,652	22,652
Transit	486,499	85,538	425,334	-	-	24,373	24,373
Total business-type activities	<u>6,061,145</u>	<u>7,390,265</u>	<u>425,334</u>	<u>-</u>	<u>-</u>	<u>1,754,454</u>	<u>1,754,454</u>
Total primary government	<u>\$ 12,091,019</u>	<u>\$ 9,049,743</u>	<u>\$ 578,404</u>	<u>\$ 52,000</u>	<u>\$ (4,165,326)</u>	<u>\$ 1,754,454</u>	<u>\$ (2,410,872)</u>
General revenues:							
Property taxes					\$ 1,770,167	\$ -	\$ 1,770,167
Sales taxes					1,605,141	-	1,605,141
Other taxes					414,103	-	414,103
Investment earnings					106,093	36,084	142,177
Rental income					106,074	-	106,074
Miscellaneous					62,110	-	62,110
Gain on sale of capital assets					-	313,965	313,965
Transfers					10,750	(10,750)	-
Total general revenues					<u>4,074,438</u>	<u>339,299</u>	<u>4,413,737</u>
Change in net position					(90,888)	2,093,753	2,002,865
Net position - July 1, 2013					16,613,253	66,410,126	83,023,379
Prior period restatement (Note 17)					-	(35,250)	(35,250)
Net position - July 1, 2013, restated					<u>16,613,253</u>	<u>66,374,876</u>	<u>82,988,129</u>
Net position - June 30, 2014					<u>\$ 16,522,365</u>	<u>\$ 68,468,629</u>	<u>\$ 84,990,994</u>

See accompanying notes to the basic financial statements.

**CITY OF RIO VISTA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 593,243	\$ 5,153,082	\$ 5,746,325
Restricted cash and investments	-	13,807	13,807
Accounts receivable	334,062	186,123	520,185
Interest receivable	61	1,203	1,264
Prepaid items	85,462	250	85,712
Due from other funds	770,908	-	770,908
Notes receivable	-	120,496	120,496
Other assets	111,392	-	111,392
Advances to other funds	<u>974,455</u>	<u>2,519,955</u>	<u>3,494,410</u>
Total Assets	<u>\$ 2,869,583</u>	<u>\$ 7,994,916</u>	<u>\$ 10,864,499</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ 386,686	\$ 99,134	\$ 485,820
Accrued payroll and benefits	78,184	8,237	86,421
Unearned revenue	-	11,121	11,121
Deposits payable	5,858	3,000	8,858
Due to other funds	-	268,913	268,913
Advances from other funds	<u>-</u>	<u>172,799</u>	<u>172,799</u>
Total Liabilities	<u>470,728</u>	<u>563,204</u>	<u>1,033,932</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources	-	100,000	100,000
<u>FUND BALANCES</u>			
Nonspendable	1,059,917	2,520,205	3,580,122
Restricted	-	1,761,545	1,761,545
Committed	-	102,454	102,454
Assigned	-	3,215,109	3,215,109
Unassigned	<u>1,338,938</u>	<u>(267,601)</u>	<u>1,071,337</u>
Total Fund Balances	<u>2,398,855</u>	<u>7,331,712</u>	<u>9,730,567</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,869,583</u>	<u>\$ 7,994,916</u>	<u>\$ 10,864,499</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, 2014

Total fund balances of governmental funds		\$ 9,730,567
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 \$6,139,545.		8,420,966
Certain notes, loans, and interest receivables are not available to pay for current period expenditures and therefore are offset by deferred inflows of resources in the governmental funds.		
Deferred inflows of resources		100,000
Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.		
Long-term liabilities		(415,100)
Compensated absences		(222,795)
Net OPEB obligation		(338,919)
Landfill closure liability		(741,263)
Interest payable		<u>(11,091)</u>
Net position of governmental activities		<u>\$ 16,522,365</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, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Taxes and assessments	\$ 3,305,478	\$ 483,933	\$ 3,789,411
Licenses, permits, and fees	583,563	683,644	1,267,207
Fines and forfeitures	14,243	-	14,243
Use of money and property	181,735	30,432	212,167
Intergovernmental	7,294	254,436	261,730
Charges for services	378,028	-	378,028
Other revenues	<u>6,384</u>	<u>55,726</u>	<u>62,110</u>
Total Revenues	<u>4,476,725</u>	<u>1,508,171</u>	<u>5,984,896</u>
<u>EXPENDITURES</u>			
Current:			
General administration	898,331	-	898,331
Public safety	2,856,459	185,794	3,042,253
Parks and recreation	220,263	51,080	271,343
Development	339,305	37,567	376,872
Public works	402,235	353,547	755,782
Capital outlay	399,047	215,405	614,452
Debt service:			
Principal	77,290	23,808	101,098
Interest and fiscal charges	<u>253</u>	<u>7,528</u>	<u>7,781</u>
Total Expenditures	<u>5,193,183</u>	<u>874,729</u>	<u>6,067,912</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(716,458)</u>	<u>633,442</u>	<u>(83,016)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from long-term debt	362,166	24,032	386,198
Transfers in	138,000	29,750	167,750
Transfers out	<u>-</u>	<u>(157,000)</u>	<u>(157,000)</u>
Total Other Financing Sources (Uses)	<u>500,166</u>	<u>(103,218)</u>	<u>396,948</u>
Net Change in Fund Balances	(216,292)	530,224	313,932
Fund Balances - July 1, 2013	<u>2,615,147</u>	<u>6,801,488</u>	<u>9,416,635</u>
Fund Balances - June 30, 2014	<u>\$ 2,398,855</u>	<u>\$ 7,331,712</u>	<u>\$ 9,730,567</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, 2014

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	\$	313,932
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.		
Capital asset purchases		580,194
Depreciation expense		(492,989)
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.		
Debt principal payments		101,098
Proceeds of long-term liabilities		(386,198)
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.		
		(58,720)
Accrued interest payable is interest due on long-term liabilities. This is the net change in accrued interest in the current period.		
		(8,378)
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.		
Other postemployment benefits		(77,905)
Landfill closure		(5,262)
Some revenues reported in the prior year Statement of Activities were recognized in the governmental funds in the current year.		
		<u>(56,660)</u>
Change in net position of governmental activities	\$	<u><u>(90,888)</u></u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-type Activities - Enterprise Funds		
	Water	Beach Drive Treatment Facility	NW Wastewater Treatment Facility
ASSETS			
Current Assets			
Cash and investments	\$ 1,697,093	\$ 701,276	\$ 2,444,287
Restricted cash and investments	1,375,977	1,807,422	35,448
Accounts receivable, net	312,866	418,613	135,114
Interest receivable	283	-	345
Prepaid items	-	-	-
Inventory	-	-	-
Total Current Assets	<u>3,386,219</u>	<u>2,927,311</u>	<u>2,615,194</u>
Non Current Assets			
Due from other governments	-	99,235	-
Advances to other funds	438,704	38,705	-
Capital assets:			
Land and construction in progress	3,481,609	519,214	174,204
Depreciable assets, net	<u>9,928,901</u>	<u>5,029,172</u>	<u>35,353,485</u>
Total Non-Current Assets	<u>13,849,214</u>	<u>5,686,326</u>	<u>35,527,689</u>
Total Assets	<u>\$ 17,235,433</u>	<u>\$ 8,613,637</u>	<u>\$ 38,142,883</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 109,259	\$ 125,070	\$ 44,341
Accrued salaries and benefits	15,219	8,897	5,192
Accrued interest payable	-	17,213	-
Deposits payable	59,008	-	-
Due to other funds	260,739	-	-
Unearned revenues	-	-	-
Compensated absences - current	11,337	5,583	3,088
Capital lease - current	6,000	-	-
Bonds payable - current	-	40,000	-
Total Current Liabilities	<u>461,562</u>	<u>196,763</u>	<u>52,621</u>
Non-Current Liabilities			
Advances from other funds	-	1,383,224	1,383,224
Compensated absences - noncurrent	29,660	14,606	8,078
Capital lease - noncurrent	105,355	-	-
Bonds payable - noncurrent	-	1,049,844	-
Total Non-Current Liabilities	<u>135,015</u>	<u>2,447,674</u>	<u>1,391,302</u>
Total Liabilities	<u>596,577</u>	<u>2,644,437</u>	<u>1,443,923</u>
NET POSITION:			
Net investment in capital assets	13,305,155	4,458,542	35,527,689
Restricted for debt service	-	110,762	-
Restricted for capital projects	1,375,977	1,696,660	35,448
Unrestricted	<u>1,957,724</u>	<u>(296,764)</u>	<u>1,135,823</u>
Total Net Position	<u>16,638,856</u>	<u>5,969,200</u>	<u>36,698,960</u>
Total Liabilities and Net Position	<u>\$ 17,235,433</u>	<u>\$ 8,613,637</u>	<u>\$ 38,142,883</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF NET POSITION (continued)
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-type Activities - Enterprise Funds		
	Airport	Other Enterprise Funds	Totals
ASSETS			
Current Assets			
Cash and investments	\$ -	\$ 1,710,886	\$ 6,553,542
Restricted cash and investments	275,463	131,087	3,625,397
Accounts receivable, net	71,918	216,486	1,154,997
Interest receivable	-	426	1,054
Prepaid items	4,490	-	4,490
Inventory	<u>56,685</u>	<u>-</u>	<u>56,685</u>
Total Current Assets	<u>408,556</u>	<u>2,058,885</u>	<u>11,396,165</u>
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	21,795	4,602,135
Depreciable assets, net	<u>7,064,852</u>	<u>681,380</u>	<u>58,057,790</u>
Total Non-Current Assets	<u>7,470,165</u>	<u>802,410</u>	<u>63,335,804</u>
Total Assets	<u>\$ 7,878,721</u>	<u>\$ 2,861,295</u>	<u>\$ 74,731,969</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 80,477	\$ 38,097	\$ 397,244
Accrued salaries and benefits	1,019	512	30,839
Accrued interest payable	-	-	17,213
Deposits payable	16,789	7,572	83,369
Due to other funds	112,250	129,006	501,995
Unearned revenues	155,699	-	155,699
Compensated absences - current	969	250	21,227
Capital lease - current	-	-	6,000
Bonds payable - current	<u>-</u>	<u>-</u>	<u>40,000</u>
Total Current Liabilities	<u>367,203</u>	<u>175,437</u>	<u>1,253,586</u>
Non-Current Liabilities			
Advances from other funds	1,032,572	-	3,799,020
Compensated absences - noncurrent	2,535	656	55,535
Capital lease - noncurrent	-	-	105,355
Bonds payable - noncurrent	<u>-</u>	<u>-</u>	<u>1,049,844</u>
Total Non-Current Liabilities	<u>1,035,107</u>	<u>656</u>	<u>5,009,754</u>
Total Liabilities	<u>1,402,310</u>	<u>176,093</u>	<u>6,263,340</u>
NET POSITION:			
Net investment in capital assets	7,470,165	703,175	61,464,726
Restricted for debt service	-	-	110,762
Restricted for capital projects	275,463	131,087	3,514,635
Unrestricted	<u>(1,269,217)</u>	<u>1,850,940</u>	<u>3,378,506</u>
Total Net Position	<u>6,476,411</u>	<u>2,685,202</u>	<u>68,468,629</u>
Total Liabilities and Net Position	<u>\$ 7,878,721</u>	<u>\$ 2,861,295</u>	<u>\$ 74,731,969</u>

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, 2014

	Business-type Activities - Enterprise Funds		
	Water	Beach Drive Treatment Facility	NW Wastewater Treatment Facility
<u>OPERATING REVENUES</u>			
Charges for services	\$ 2,641,976	\$ 2,859,335	\$ 1,475,235
Rents	-	-	-
Sale of fuel	-	-	-
Grant revenue	-	-	-
Other revenue	<u>350</u>	<u>-</u>	<u>681</u>
Total Operating Revenue	<u>2,642,326</u>	<u>2,859,335</u>	<u>1,475,916</u>
<u>OPERATING EXPENSES</u>			
Salaries and benefits	544,608	317,218	185,147
Materials, supplies, & operational expenses	127,881	142,622	84,259
Repairs and maintenance	64,585	163,169	106,711
Power and utilities	216,064	95,067	164,310
Contractual services	78,103	787,010	547,792
Professional services	28,047	11,281	1,030
Insurance	-	-	-
Miscellaneous	72,036	12,243	31,242
Depreciation and amortization	<u>612,158</u>	<u>160,792</u>	<u>444,591</u>
Total Operating Expenses	<u>1,743,482</u>	<u>1,689,402</u>	<u>1,565,082</u>
Operating Income (Loss)	<u>898,844</u>	<u>1,169,933</u>	<u>(89,166)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	13,112	8,864	8,387
Interest expense	-	(66,838)	-
Gain on sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>13,112</u>	<u>(57,974)</u>	<u>8,387</u>
Income (Loss) Before Transfers	<u>911,956</u>	<u>1,111,959</u>	<u>(80,779)</u>
<u>TRANSFERS</u>			
Transfers in	4,750	4,750	4,750
Transfers out	<u>(25,000)</u>	<u>-</u>	<u>-</u>
Total Transfers	<u>(20,250)</u>	<u>4,750</u>	<u>4,750</u>
Change in net position	<u>891,706</u>	<u>1,116,709</u>	<u>(76,029)</u>
Net Position - July 1, 2013	15,747,150	4,887,741	36,774,989
Prior period adjustment (Note 17)	<u>-</u>	<u>(35,250)</u>	<u>-</u>
Net Position - July 1, 2013, restated	<u>15,747,150</u>	<u>4,852,491</u>	<u>36,774,989</u>
Net Position - June 30, 2014	<u>\$ 16,638,856</u>	<u>\$ 5,969,200</u>	<u>\$ 36,698,960</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, 2014

	Business-type Activities - Enterprise Funds		
	Airport	Other Enterprise Funds	Totals
<u>OPERATING REVENUES</u>			
Charges for services	\$ -	\$ 22,453	\$ 6,998,999
Rents	174,346	84,236	258,582
Sale of fuel	28,851	-	28,851
Grant revenue	39,007	425,334	464,341
Other revenue	<u>110</u>	<u>63,685</u>	<u>64,826</u>
Total Operating Revenue	<u>242,314</u>	<u>595,708</u>	<u>7,815,599</u>
<u>OPERATING EXPENSES</u>			
Salaries and benefits	35,395	16,107	1,098,475
Materials, supplies, & operational expenses	31,939	129,400	516,101
Repairs and maintenance	12,791	-	347,256
Power and utilities	30,980	1,368	507,789
Contractual services	28,154	337,668	1,778,727
Professional services	-	52	40,410
Insurance	9,356	-	9,356
Miscellaneous	47,572	202	163,295
Depreciation and amortization	<u>251,471</u>	<u>63,886</u>	<u>1,532,898</u>
Total Operating Expenses	<u>447,658</u>	<u>548,683</u>	<u>5,994,307</u>
Operating Income (Loss)	<u>(205,344)</u>	<u>47,025</u>	<u>1,821,292</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	1,107	4,614	36,084
Interest expense	-	-	(66,838)
Gain on sale of capital assets	<u>-</u>	<u>313,965</u>	<u>313,965</u>
Total Non-Operating Revenues (Expenses)	<u>1,107</u>	<u>318,579</u>	<u>283,211</u>
Income (Loss) Before Transfers	<u>(204,237)</u>	<u>365,604</u>	<u>2,104,503</u>
<u>TRANSFERS</u>			
Transfers in	-	-	14,250
Transfers out	<u>-</u>	<u>-</u>	<u>(25,000)</u>
Total Transfers	<u>-</u>	<u>-</u>	<u>(10,750)</u>
Change in net position	<u>(204,237)</u>	<u>365,604</u>	<u>2,093,753</u>
Net Position - July 1, 2013	6,680,648	2,319,598	66,410,126
Prior period adjustment (Note 17)	<u>-</u>	<u>-</u>	<u>(35,250)</u>
Net Position - July 1, 2013, restated	<u>6,680,648</u>	<u>2,319,598</u>	<u>66,374,876</u>
Net Position - June 30, 2014	<u>\$ 6,476,411</u>	<u>\$ 2,685,202</u>	<u>\$ 68,468,629</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, 2014

	<u>Business-type Activities - Enterprise Funds</u>		
		NW	
	<u>Water</u>	<u>Beach Drive Treatment Facility</u>	<u>Wastewater Treatment Facility</u>
<u>CASH FLOWS FROM OPERATING</u>			
<u>ACTIVITIES</u>			
Cash received from customers	\$ 2,625,177	\$ 2,796,994	\$ 1,465,342
Cash paid to suppliers	(695,286)	(1,188,900)	(973,335)
Cash paid to employees	<u>(532,735)</u>	<u>(308,522)</u>	<u>(182,385)</u>
Net Cash Provided by Operating Activities	<u>1,397,156</u>	<u>1,299,572</u>	<u>309,622</u>
<u>CASH FLOWS FROM NON-CAPITAL</u>			
<u>FINANCING ACTIVITIES</u>			
Due (to) from other funds	-	-	-
Transfers to other funds	<u>(20,250)</u>	<u>4,750</u>	<u>4,750</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(20,250)</u>	<u>4,750</u>	<u>4,750</u>
<u>CASH FLOWS FROM CAPITAL AND</u>			
<u>RELATED FINANCING ACTIVITIES</u>			
Proceeds received from sale of assets			
Acquisition of capital assets	(2,505,768)	(734,734)	(165,437)
Principal paid on capital debt	(6,000)	(40,000)	-
Interest paid on capital debt	<u>-</u>	<u>(66,838)</u>	<u>-</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(2,511,768)</u>	<u>(841,572)</u>	<u>(165,437)</u>
<u>CASH FLOWS FROM INVESTING</u>			
<u>ACTIVITIES</u>			
Interest and dividends	<u>13,142</u>	<u>8,864</u>	<u>8,423</u>
Net Cash Provided by Investing Activities	<u>13,142</u>	<u>8,864</u>	<u>8,423</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,121,720)	471,614	157,358
Cash and Cash Equivalents - July 1, 2013	<u>4,194,790</u>	<u>2,037,084</u>	<u>2,322,377</u>
Cash and Cash Equivalents - June 30, 2014	<u>\$ 3,073,070</u>	<u>\$ 2,508,698</u>	<u>\$ 2,479,735</u>
<u>Reconciliation of Cash and Cash Equivalents</u>			
<u>to the Statement of Net Position</u>			
Cash and investments	\$ 1,697,093	\$ 701,276	\$ 2,444,287
Restricted cash and investments	<u>1,375,977</u>	<u>1,807,422</u>	<u>35,448</u>
Cash and Cash Equivalents - June 30, 2014	<u>\$ 3,073,070</u>	<u>\$ 2,508,698</u>	<u>\$ 2,479,735</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, 2014

Business-type Activities - Enterprise Funds			
	Airport	Other Enterprise Funds	Totals
<u>CASH FLOWS FROM OPERATING</u>			
<u>ACTIVITIES</u>			
Cash received from customers	\$ 212,264	\$ 668,499	\$ 7,768,276
Cash paid to suppliers	(103,717)	(523,332)	(3,484,570)
Cash paid to employees	(31,426)	(15,780)	(1,070,848)
	<u>77,121</u>	<u>129,387</u>	<u>3,212,858</u>
Net Cash Provided by Operating Activities			
<u>CASH FLOWS FROM NON-CAPITAL</u>			
<u>FINANCING ACTIVITIES</u>			
Due (to) from other funds	(77,122)	-	(77,122)
Transfers to other funds	-	-	(10,750)
	<u>-</u>	<u>-</u>	<u>(87,872)</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities			
<u>CASH FLOWS FROM CAPITAL AND</u>			
<u>RELATED FINANCING ACTIVITIES</u>			
Proceeds received from sale of assets		315,354	315,354
Acquisition of capital assets	-	(85,514)	(3,491,453)
Principal paid on capital debt	-	-	(46,000)
Interest paid on capital debt	-	-	(66,838)
	<u>-</u>	<u>229,840</u>	<u>(3,288,937)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities			
<u>CASH FLOWS FROM INVESTING</u>			
<u>ACTIVITIES</u>			
Interest and dividends	1,107	4,660	36,196
	<u>1,107</u>	<u>4,660</u>	<u>36,196</u>
Net Cash Provided by Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	1,106	363,887	(127,755)
Cash and Cash Equivalents - July 1, 2013	274,357	1,478,086	10,306,694
Cash and Cash Equivalents - June 30, 2014	<u>\$ 275,463</u>	<u>\$ 1,841,973</u>	<u>\$ 10,178,939</u>
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</u>			
Cash and investments	\$ -	\$ 1,710,886	\$ 6,553,542
Restricted cash and investments	275,463	131,087	3,625,397
Cash and Cash Equivalents - June 30, 2014	<u>\$ 275,463</u>	<u>\$ 1,841,973</u>	<u>\$ 10,178,939</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, 2014

	Water	Beach Drive Treatment Facility	NW Wastewater Treatment Facility
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>			
Operating Income (loss)	\$ 898,844	\$ 1,169,933	\$ (89,166)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	612,158	157,345	444,591
Amortization	-	3,447	-
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	(17,111)	(62,342)	(10,574)
Increase in inventory	-	-	-
Increase (decrease) in accounts payable	(108,502)	28,356	(37,689)
Increase (decrease) in deposits payable	(38)	-	-
Increase (decrease) increase in accrued wages	2,460	1,583	864
Increase in compensated absences	9,345	1,250	1,596
Net Cash Provided by Operating Activities	\$ 1,397,156	\$ 1,299,572	\$ 309,622

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, 2014

	<u>Airport</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>			
Operating Income (loss)	\$ (205,344)	\$ 47,025	\$ 1,821,292
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	251,471	63,886	1,529,451
Amortization	-	-	3,447
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	(32,347)	71,141	(51,233)
Increase in inventory	(9,131)	-	(9,131)
Increase (decrease) in accounts payable	69,339	(54,642)	(103,138)
Increase (decrease) in deposits payable	2,297	1,650	3,909
Increase (decrease) increase in accrued wages	(66)	128	4,969
Increase in compensated absences	<u>902</u>	<u>199</u>	<u>13,292</u>
Net Cash Provided by Operating Activities	<u>\$ 77,121</u>	<u>\$ 129,387</u>	<u>\$ 3,212,858</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private- Purpose Trust Fund</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and investments (Note 2)	\$ 114,715	\$ 2,192,723
Interest receivable	-	311
Restricted cash and investments (Note 2)	<u>-</u>	<u>2,133,813</u>
Total Assets	<u>\$ 114,715</u>	<u>\$ 4,326,847</u>
<u>LIABILITIES</u>		
Accounts payable and other liabilities	\$ 200,465	\$ 20,701
Funds held in trust	<u>-</u>	<u>4,306,146</u>
Total Liabilities	<u>\$ 200,465</u>	<u>\$ 4,326,847</u>
<u>NET POSITION</u>		
Held in trust for private purposes	<u>\$ (85,750)</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, 2014

	<u>Private- Purpose Trust Fund</u>
<u>ADDITIONS</u>	
Taxes and assessments	\$ 110,732
Interest income	<u>80</u>
Total Additions	<u>110,812</u>
<u>DEDUCTIONS</u>	
Operating costs	<u>50,563</u>
Total Deductions	<u>50,563</u>
Change in Fiduciary Net Position	60,249
Fiduciary Net Position - July 1, 2013	<u>(145,999)</u>
Fiduciary Net Position - June 30, 2014	<u>\$ (85,750)</u>

See accompanying notes to the basic financial statements.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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, 2014

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:

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, 2014

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, 2014

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 funds' 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, 2014

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 Receivable

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 recorded as deferred inflows of resources in the fund financial statements in accordance with modified accrual, but not 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 offset by deferred inflows of resources 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, 2014

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 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, except for insurance, are expensed in the period incurred. Amortization of bond premiums or discounts, insurance 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. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position, or balance sheet, will sometimes report a section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Financial Position, or balance sheet, will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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.

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.

M. 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.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

N. 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.

O. 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.

P. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2013, the City implemented the following accounting and financial reporting standards:

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.

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.

Q. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2014 or later. The City has not determined the effects on the financial statements.

Government Accounting Standards Board Statement No. 68

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

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014 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	\$ 5,746,325	\$ 13,807	\$ 5,760,132
Business-type activities	<u>6,553,542</u>	<u>3,625,397</u>	<u>10,178,939</u>
Total government-wide cash and investments	<u>12,299,867</u>	<u>3,639,204</u>	<u>15,939,071</u>
Fiduciary activities	<u>2,307,438</u>	<u>2,133,813</u>	<u>4,441,251</u>
Total cash and investments	<u>\$ 14,607,305</u>	<u>\$ 5,773,017</u>	<u>\$ 20,380,322</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Cash and investments were carried at fair value as of June 30, 2014 and consisted of the following:

Cash and Investments

Deposits:	
Cash on hand	\$ 200
Cash in banks	<u>9,837,237</u>
Total cash	<u>9,837,437</u>
Money market funds	5,773,017
Local Agency Investment Fund (LAIF)	<u>4,769,868</u>
Total investments	<u>10,542,885</u>
Total cash and investments	<u>\$ 20,380,322</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, 2014

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

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

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

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

Disclosure Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity as of June 30, 2014:

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Money market funds	\$ 3,528,442	\$ -	\$ 3,528,442
Local Agency Investment Fund	4,769,868	-	4,769,868
Held by bond trustee:			
Money market funds	<u>2,244,575</u>	-	<u>2,244,575</u>
	<u>\$ 10,542,885</u>	<u>\$ -</u>	<u>\$ 10,542,885</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, 2014.

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	\$ 3,528,442			Not rated
Local Agency Investment Fund	4,769,868			Not rated
Held by bond trustee:				
Money market funds	<u>2,244,575</u>	AAAm	Aaa	
	<u>\$ 10,542,885</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, 2014

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, 2014, the carrying amount of the City's deposits was \$9,837,237 and bank balances were \$9,864,505.

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, 2014 were \$120,496. 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 inflows of resources 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, 2014

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	ATOD Grant	Overdrawn cash balances	\$ 8,323
	Capital Projects	Overdrawn cash balances	260,590
	Water	Overdrawn cash balances	260,739
	Airport	Overdrawn cash balances	112,250
	Sewer Construction	Overdrawn cash balances	<u>129,006</u>
Total Due to/From			\$ <u>770,908</u>

Advances to/from Other Funds

The composition of interfund balances as of June 30, 2014 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, 2014.

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, 2013 and 2014, potentially extending the final payment date. The balance of the loan remained at \$77,409 at June 30, 2014.

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014.

Interfund Transfers to/from Other Funds

Transfers between funds during the fiscal year ended June 30, 2014 were as follows:

<u>Transfer from</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
<u>Governmental Funds</u>			
Capital Projects	Storm Drain	YSAQMD grant allocation	\$ 4,750
	Water	YSAQMD grant allocation	4,750
	Beach Drive Treatment	YSAQMD grant allocation	4,750
	NW Wastewater	YSAQMD grant allocation	4,750
Landfill Closure	General Fund	Excess landfill reserves	<u>138,000</u>
	Total Non- Major Governmental Interfund Transfers		<u>157,000</u>
<u>Proprietary Funds</u>			
Water	Vehicle Replacement	Fire truck reserves	<u>25,000</u>
Total Proprietary Interfund Transfers			<u>25,000</u>
Total Interfund Transfers			\$ <u>182,000</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5: CAPITAL ASSETS

Governmental activities:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2014</u>
Capital assets not being depreciated				
Land	\$ 1,968,598	\$ -	\$ -	\$ 1,968,598
Construction-in-progress	<u>-</u>	<u>14,917</u>	<u>-</u>	<u>14,917</u>
Total capital assets not being depreciated	<u>1,968,598</u>	<u>14,917</u>	<u>-</u>	<u>1,983,515</u>
Capital assets being depreciated				
Buildings and improvements	4,564,079	124,926	-	4,689,005
Vehicles	1,867,229	368,448	-	2,235,677
Machinery and equipment	1,073,931	71,903	-	1,145,834
Infrastructure	<u>4,506,480</u>	<u>-</u>	<u>-</u>	<u>4,506,480</u>
Total capital assets being depreciated	<u>12,011,719</u>	<u>565,277</u>	<u>-</u>	<u>12,576,996</u>
Less accumulated depreciation				
Buildings and improvements	(2,509,035)	(157,164)	-	(2,666,199)
Vehicles	(1,571,686)	(147,050)	-	(1,718,736)
Machinery and Equipment	(905,431)	(38,251)	-	(943,682)
Infrastructure	<u>(660,404)</u>	<u>(150,524)</u>	<u>-</u>	<u>(810,928)</u>
Total accumulated depreciation	<u>(5,646,556)</u>	<u>(492,989)</u>	<u>-</u>	<u>(6,139,545)</u>
Total capital assets, net	<u>\$ 8,333,761</u>	<u>\$ 87,205</u>	<u>\$ -</u>	<u>\$ 8,420,966</u>

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

Governmental Activities:

General administration	\$ 61,211
Public safety	193,492
Parks and recreation	98,301
Development	3,811
Public works	<u>136,174</u>
Total governmental activities depreciation expense	<u>\$ 492,989</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5: CAPITAL ASSETS (CONTINUED)

Business-type activities:

	<u>Balance at July 1, 2013</u>	<u>Prior Period Restatement</u>	<u>Balance at July 1, 2013, Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2014</u>
Nondepreciable assets:							
Land	\$ 553,497	\$ -	\$ 553,497	\$ -	\$ (1,389)	\$ -	\$ 552,108
Construction-in-progress	<u>1,251,326</u>	<u>(72,098)</u>	<u>1,179,228</u>	<u>3,387,095</u>	<u>-</u>	<u>(516,296)</u>	<u>4,050,027</u>
Total nondepreciable assets	<u>1,804,823</u>	<u>(72,098)</u>	<u>1,732,725</u>	<u>3,387,095</u>	<u>(1,389)</u>	<u>(516,296)</u>	<u>4,602,135</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	36,848	1,600,518	-	-	-	1,600,518
Vehicles	413,594	-	413,594	104,358	-	-	517,952
Infrastructure	<u>8,277,662</u>	<u>-</u>	<u>8,277,662</u>	<u>-</u>	<u>-</u>	<u>516,296</u>	<u>8,793,958</u>
Total capital assets being depreciated	<u>75,033,987</u>	<u>36,848</u>	<u>75,070,835</u>	<u>104,358</u>	<u>-</u>	<u>516,296</u>	<u>75,691,489</u>
Less accumulated depreciation							
Buildings and improvements	(9,793,046)	-	(9,793,046)	(955,139)	-	-	(10,748,185)
Runways	(4,016,086)	-	(4,016,086)	(227,552)	-	-	(4,243,638)
Machinery and equipment	(1,359,968)	-	(1,359,968)	(70,719)	-	-	(1,430,687)
Vehicles	(145,989)	-	(145,989)	(63,763)	-	-	(209,752)
Infrastructure	<u>(789,159)</u>	<u>-</u>	<u>(789,159)</u>	<u>(212,278)</u>	<u>-</u>	<u>-</u>	<u>(1,001,437)</u>
Total accumulated depreciation	<u>(16,104,248)</u>	<u>-</u>	<u>(16,104,248)</u>	<u>(1,529,451)</u>	<u>-</u>	<u>-</u>	<u>(17,633,699)</u>
Total capital assets, net	<u>\$ 60,734,562</u>	<u>\$ (35,250)</u>	<u>\$ 60,699,312</u>	<u>\$ 1,962,002</u>	<u>\$ (1,389)</u>	<u>\$ -</u>	<u>\$ 62,659,925</u>

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

Water	\$ 612,158
Beach Drive Treatment Facility	157,345
NW Wastewater Treatment Facility	444,591
Airport	251,471
Business Park	13,616
Transit	<u>50,270</u>
Total business-type activities depreciation expense	<u>\$ 1,529,451</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
Governmental activities:					
Compensated absences	\$ 164,075	\$ 93,957	\$ (35,237)	\$ 222,795	\$ 61,610
1997 Firehouse General Obligation Bonds	130,000	-	(23,000)	107,000	24,000
City Manager Vehicle Lease	-	21,315	(2,039)	19,276	4,062
Police Vehicle Leases	-	340,851	(75,251)	265,600	61,440
PG&E Retrofit Loan	-	24,032	(808)	23,224	2,424
Total Governmental activities	<u>\$ 294,075</u>	<u>\$ 480,155</u>	<u>\$ (136,335)</u>	<u>\$ 637,895</u>	<u>\$ 153,536</u>

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
Business-type activities:					
Compensated absences	\$ 63,470	\$ 32,372	\$ (19,080)	\$ 76,762	\$ 21,227
2000 Water and Wastewater Revenue Bonds	1,185,000	-	(40,000)	1,145,000	40,000
Land Capital Lease	117,355	-	(6,000)	111,355	6,000
Less: unamortized discounts	<u>(58,603)</u>	<u>-</u>	<u>3,447</u>	<u>(55,156)</u>	<u>-</u>
Total Business-type activities	<u>\$ 1,307,222</u>	<u>\$ 32,372</u>	<u>\$ (61,633)</u>	<u>\$ 1,277,961</u>	<u>\$ 67,227</u>

A description of the long-term liabilities related to governmental activities at June 30, 2014 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. Future debt service payments are as follows:

1977 Firehouse General Obligation Bonds			
<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 24,000	\$ 6,047	\$ 30,047
2016	26,000	4,462	30,462
2017	28,000	2,742	30,742
2018	<u>29,000</u>	<u>925</u>	<u>29,925</u>
Total	<u>\$ 107,000</u>	<u>\$ 14,176</u>	<u>\$ 121,176</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

Vehicle Leases

In November 2013, the City entered into a lease agreement in the amount of \$340,851 with Ford Motor Credit Company at 5.20% to finance the purchase of eight police vehicles. Annual principal and interest payments of \$75,251 are due through November 2017. The outstanding balance on the lease as of June 30, 2014 was \$265,600. The vehicles are included in capital assets at a net book value of \$295,406.

In January 2014, the City entered into a lease agreement in the amount of \$21,315 with Ford Motor Credit Company at 3.00% to finance the purchase of a vehicle for the City Manager. Monthly principal and interest payments of \$382 are due through December 2018. The outstanding balance on the lease as of June 30, 2014 was \$19,276. The vehicle is included in capital assets at a net book value of \$19,184.

Future debt service payments are as follows:

Vehicle Leases			
For the Year Ending June 30	Principal	Interest	Total
2015	\$ 65,502	\$ 14,334	\$ 79,836
2016	68,820	11,015	79,835
2018	72,307	7,527	79,834
2019	75,975	3,861	79,836
2020	<u>2,272</u>	<u>20</u>	<u>2,292</u>
Total	\$ <u>284,876</u>	\$ <u>36,757</u>	\$ <u>321,633</u>

PG&E Retrofit Loan

In March 2014, the City entered into a loan agreement with Pacific Gas & Electric (PG&E) in the amount of \$24,032 for energy efficient / demand response equipment and services. Monthly payments of \$202 are due through December 2023. The loan does not bear any interest. Future debt service payments are as follows:

PG&E Retrofit Loan			
For the Year Ending June 30	Principal	Interest	Total
2015	\$ 2,424	\$ -	\$ 2,424
2016	2,424	-	2,424
2017	2,424	-	2,424
2018	2,424	-	2,424
2019	2,424	-	2,424
2020 - 2024	<u>11,104</u>	<u>-</u>	<u>11,104</u>
Total	\$ <u>23,224</u>	\$ <u>-</u>	\$ <u>23,224</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Total Governmental Activities Long-Term Liabilities Amortization

Total Governmental Activities			
For the Year Ending June 30	Principal	Interest	Total
2015	\$ 91,926	\$ 20,381	\$ 112,307
2016	97,244	15,477	112,721
2017	102,731	10,269	113,000
2018	107,399	4,786	112,185
2019	4,696	20	4,716
2020 - 2024	<u>11,104</u>	<u>-</u>	<u>11,104</u>
Total	\$ <u>415,100</u>	\$ <u>50,933</u>	\$ <u>466,033</u>

A description of the long-term liabilities related to business-type activities at June 30, 2014 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, 2014 was 1,089%. Future debt service payments are as follows:

2000 Water and Wastewater Revenue Bonds			
For the Year Ending June 30	Principal	Interest	Total
2015	\$ 40,000	\$ 64,538	\$ 104,538
2016	45,000	62,300	107,300
2017	45,000	59,825	104,825
2018	50,000	57,150	107,150
2019	50,000	54,275	104,275
2020 - 2024	310,000	221,641	531,641
2025 - 2029	410,000	117,951	527,951
2030 - 2034	<u>195,000</u>	<u>11,455</u>	<u>206,455</u>
Total	\$ <u>1,145,000</u>	\$ <u>649,135</u>	\$ <u>1,794,135</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

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. Future debt service payments are as follows:

2013 Land Capital Lease			
For the Year Ending June 30	Principal	Interest	Total
2015	\$ 6,000	\$ -	\$ 6,000
2016	6,000	-	6,000
2017	6,000	-	6,000
2018	6,000	-	6,000
2019	6,000	-	6,000
2020 - 2024	30,000	-	30,000
2025 - 2029	30,000	-	30,000
2030 - 2034	21,355	-	21,355
Total	\$ 111,355	\$ -	\$ 111,355

Total Business-Type Long-Term Liabilities Amortization

Total Business-Type Activities			
For the Year Ending June 30	Principal	Interest	Total
2015	\$ 46,000	\$ 64,538	\$ 110,538
2016	51,000	62,300	113,300
2017	51,000	59,825	110,825
2018	56,000	57,150	113,150
2019	56,000	54,275	110,275
2020 - 2024	340,000	221,641	561,641
2025 - 2029	440,000	117,951	557,951
2030 - 2034	216,355	11,455	227,810
Total	\$ 1,256,355	\$ 649,135	\$ 1,905,490

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, 2014 were as follows:

Community Facilities District No. 2004-1	\$ 13,645,000
Community Facilities District No. 2006-1	13,550,000
Reassessment District No. 2007-1R Refunding Bonds	1,015,100
Total Special Assessment Debt	\$ 28,210,100

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 PEPRA 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.

<u>Rate Plan</u>	<u>Employee Rate</u>	<u>Employer Rate</u>	<u>Employer pays Employee Share</u>
Miscellaneous Classic	7.000%	20.419%	Yes
Miscellaneous PEPRA	6.250%	6.250%	No
Safety Classic	9.000%	37.232%	Yes
Safety PEPRA	11.500%	11.500%	No

Annual Pension Cost

For the fiscal year ended June 30, 2014, the City's annual pension cost (employer contribution) of \$565,018 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, 2012, 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, 2012 was 15 years for safety employees and 19 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>
2012	\$ 527,539	100%	-
2013	\$ 555,552	100%	-
2014	\$ 565,018	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

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 \$265,103 at June 30, 2014. The balance of the Safety Plan side fund was \$745,496 at June 30, 2014.

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, 2014, the City's annual cost for the healthcare plan was \$92,454. The City's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2014 were as follows:

Annual required contribution	
Service cost at year-end	\$ 55,639
30-year amortization of funded liability	<u>39,036</u>
Total annual required contribution	<u>94,675</u>
Interest on net OPEB obligation	10,441
Adjustment to net OPEB obligation	<u>(12,662)</u>
Total annual OPEB cost	<u>92,454</u>
Employer contributions	(14,549)
Net OPEB obligation, July 1, 2013	<u>261,014</u>
Net OPEB obligation, June 30, 2014	<u>\$ 338,919</u>

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

<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, 2012	\$ 75,267	\$ 12,768	17 %	\$ 185,882
June 30, 2013	\$ 89,376	\$ 14,244	16 %	\$ 261,014
June 30, 2014	\$ 92,454	\$ 14,549	16 %	\$ 338,919

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, 2014

NOTE 10: FUND BALANCE (CONTINUED)

As of June 30, 2014, fund balances consisted of the following:

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Nonspendable:			
Prepays and Supplies	\$ 85,462	\$ 250	\$ 85,712
Advances	<u>974,455</u>	<u>2,519,955</u>	<u>3,494,410</u>
Total Nonspendable	<u>1,059,917</u>	<u>2,520,205</u>	<u>3,580,122</u>
Restricted:			
Economic Development	-	135,366	135,366
Debt Service	-	81,030	81,030
Streets and Capital Projects	-	776,717	776,717
Community Development	-	152,453	152,453
Public Safety	-	<u>615,979</u>	<u>615,979</u>
Total Restricted	<u>-</u>	<u>1,761,545</u>	<u>1,761,545</u>
Committed:			
Vehicle Replacement	-	<u>102,454</u>	<u>102,454</u>
Assigned:			
Storm Drain Projects	-	92,783	92,783
Road Way Impact	-	525,805	525,805
Municipal Improvement	-	1,414,466	1,414,466
Hazardous Waste	-	266,665	266,665
Landfill Closure	-	310,654	310,654
Parks and Recreation	-	<u>604,736</u>	<u>604,736</u>
Total Assigned	<u>-</u>	<u>3,215,109</u>	<u>3,215,109</u>
Unassigned	<u>1,338,938</u>	<u>(267,601)</u>	<u>1,071,337</u>
Total	<u>\$ 2,398,855</u>	<u>\$ 7,331,712</u>	<u>\$ 9,730,567</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, 2014

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 \$111,392 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, 2014:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 4,924,610	\$ 5,193,183	\$ 268,573
Developers Revolving	13,336	15,016	1,680
Storm Drain	30,611	93,640	63,029
Parks & Recreation	23,323	28,890	5,567
Hazardous Waste	31,699	50,869	19,170

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

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13: DEFICIT FUND BALANCES AND NET POSITION

As of June 30, 2014, the following funds had a fund deficit:

Fund	Deficit
Capital Projects	\$ 182,223
Army Base Reuse	85,378

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, 2014, the following funds had a deficit unrestricted net position:

Fund	Deficit
Beach Drive Treatment Facility	\$ 296,764
Airport	1,269,217
Sewer Construction	129,006

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

NOTE 14: CONTINGENCIES AND COMMITMENTS

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

Grant Awards

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

Construction and Other Commitments

The City has signed agreements for \$1,214,778 in various construction projects that were not complete as of June 30, 2014. Construction completed and paid subsequent to June 30, 2014 on these projects was \$288,736.

Delta Rural Fire Protection District

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

CITY OF RIO VISTA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014, the City has accrued \$741,263 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 \$86,448.

NOTE 17: PRIOR PERIOD ADJUSTMENT

The City made the following prior period adjustment:

<u>Fund</u>	<u>Description of Restatement</u>	<u>Amount</u>
<u>Proprietary funds</u>		
Beach Drive Treatment Facility	Expense of Construction-in-Progress item	\$ <u>(35,250)</u>
	Total Proprietary Fund Net Position Restatement	\$ <u>(35,250)</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, 2014

	2013 - 2014		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Taxes and assessments	\$ 3,422,018	\$ 3,079,265	\$ 3,305,478	\$ 226,213
License, permits, and fees	436,427	599,387	583,563	(15,824)
Fines and forfeitures	16,500	16,500	14,243	(2,257)
Use of money and property	179,260	187,049	181,735	(5,314)
Intergovernmental	505,600	505,600	7,294	(498,306)
Charges for services	429,489	373,909	378,028	4,119
Other revenues	<u>74,500</u>	<u>74,500</u>	<u>6,384</u>	<u>(68,116)</u>
Total Revenues	<u>5,063,794</u>	<u>4,836,210</u>	<u>4,476,725</u>	<u>(359,485)</u>
<u>EXPENDITURES</u>				
Current:				
General administration	726,715	803,594	898,331	(94,737)
Public safety	3,178,263	3,097,912	2,856,459	241,453
Parks and recreation	208,697	222,372	220,263	2,109
Development	299,500	345,021	339,305	5,716
Public works	395,355	425,711	402,235	23,476
Capital outlay	30,000	30,000	399,047	(369,047)
Debt service:				
Principal	-	-	77,290	(77,290)
Interest and fiscal charges	-	-	253	(253)
Total Expenditures	<u>4,838,530</u>	<u>4,924,610</u>	<u>5,193,183</u>	<u>(268,320)</u>
Excess (deficiency) of revenues over expenditures	<u>225,264</u>	<u>(88,400)</u>	<u>(716,458)</u>	<u>(91,165)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from long-term debt	-	-	362,166	362,166
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>138,000</u>	<u>38,000</u>
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>100,000</u>	<u>500,166</u>	<u>400,166</u>
Net change in fund balance	<u>\$ 325,264</u>	<u>\$ 11,600</u>	(216,292)	<u>\$ 309,001</u>
Fund balance - July 1, 2013			<u>2,615,147</u>	
Fund balance - June 30, 2014			<u>\$ 2,398,855</u>	

**CITY OF RIO VISTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

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

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.

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, 2014

	Special Revenue Funds				
	Law Enforcement	Asset Forfeiture	ATOD Grant	Gas Tax	CDBG Housing Rehabilitation
ASSETS					
Cash and investments	\$ 121,976	\$ 9,031	\$ -	\$ 756,893	\$ 131,921
Restricted cash and investments	-	13,799	-	-	-
Accounts receivable	22,867	-	15,733	26,162	-
Interest receivable	-	-	-	68	36
Prepaid expenses	-	-	-	-	-
Notes receivable	-	-	-	-	120,496
Advances to other funds	-	-	-	-	-
Total Assets	<u>\$ 144,843</u>	<u>\$ 22,830</u>	<u>\$ 15,733</u>	<u>\$ 783,123</u>	<u>\$ 252,453</u>
LIABILITIES:					
Accounts payable and accrued expenses	\$ 1,083	\$ -	\$ 3,287	\$ 5,118	\$ -
Accrued payroll and benefits	2,814	2,413	747	1,623	-
Unearned revenues	-	-	-	-	-
Deposits payable	-	-	-	-	-
Due to other funds	-	-	8,323	-	-
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>3,897</u>	<u>2,413</u>	<u>12,357</u>	<u>6,741</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow of resources	-	-	-	-	100,000
FUND BALANCES (DEFICITS):					
Nonspendable	-	-	-	-	-
Restricted	140,946	20,417	3,376	776,382	152,453
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances (Deficits)	<u>140,946</u>	<u>20,417</u>	<u>3,376</u>	<u>776,382</u>	<u>152,453</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 144,843</u>	<u>\$ 22,830</u>	<u>\$ 15,733</u>	<u>\$ 783,123</u>	<u>\$ 252,453</u>

CITY OF RIO VISTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	Special Revenue Funds				Capital Projects
	<u>Street Projects</u>	<u>Personnel Services District</u>	<u>Developers Revolving</u>	<u>RV High Green Jobs</u>	<u>Vehicle Replacement</u>
<u>ASSETS</u>					
Cash and investments	\$ 11,456	\$ 451,851	\$ 127,272	\$ 35,000	\$ 102,438
Restricted cash and investments	-	-	8	-	-
Accounts receivable	-	-	30,821	-	-
Interest receivable	-	-	-	-	16
Prepaid expenses	-	250	-	-	-
Notes receivable	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total Assets	<u>\$ 11,456</u>	<u>\$ 452,101</u>	<u>\$ 158,101</u>	<u>\$ 35,000</u>	<u>\$ 102,454</u>
<u>LIABILITIES:</u>					
Accounts payable and accrued expenses	\$ -	\$ 611	\$ 22,735	\$ 35,000	\$ -
Accrued payroll and benefits	-	-	-	-	-
Unearned revenues	11,121	-	-	-	-
Deposits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>11,121</u>	<u>611</u>	<u>22,735</u>	<u>35,000</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred inflow of resources	-	-	-	-	-
<u>FUND BALANCES (DEFICITS):</u>					
Nonspendable	-	250	-	-	-
Restricted	335	451,240	135,366	-	-
Committed	-	-	-	-	102,454
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances (Deficits)	<u>335</u>	<u>451,490</u>	<u>135,366</u>	<u>-</u>	<u>102,454</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 11,456</u>	<u>\$ 452,101</u>	<u>\$ 158,101</u>	<u>\$ 35,000</u>	<u>\$ 102,454</u>

CITY OF RIO VISTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	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	\$ 107,614	\$ 88,083	\$ 526,125	\$ 1,414,499	\$ 241,447
Restricted cash and investments	-	-	-	-	-
Accounts receivable	4,769	-	-	-	25,384
Interest receivable	37	-	208	578	16
Prepaid expenses	-	-	-	-	-
Notes receivable	-	-	-	-	-
Advances to other funds	-	-	-	2,419,955	-
Total Assets	<u>\$ 112,420</u>	<u>\$ 88,083</u>	<u>\$ 526,333</u>	<u>\$ 3,835,032</u>	<u>\$ 266,847</u>
<u>LIABILITIES:</u>					
Accounts payable and accrued expenses	\$ 19,585	\$ 9,716	\$ 528	\$ 611	\$ 45
Accrued payroll and benefits	52	-	-	-	137
Unearned revenues	-	-	-	-	-
Deposits payable	-	-	-	-	-
Due to other funds	-	260,590	-	-	-
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>19,637</u>	<u>270,306</u>	<u>528</u>	<u>611</u>	<u>182</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred inflow of resources	-	-	-	-	-
<u>FUND BALANCES (DEFICITS):</u>					
Nonspendable	-	-	-	2,419,955	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	92,783	-	525,805	1,414,466	266,665
Unassigned	-	(182,223)	-	-	-
Total Fund Balances (Deficits)	<u>92,783</u>	<u>(182,223)</u>	<u>525,805</u>	<u>3,834,421</u>	<u>266,665</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 112,420</u>	<u>\$ 88,083</u>	<u>\$ 526,333</u>	<u>\$ 3,835,032</u>	<u>\$ 266,847</u>

CITY OF RIO VISTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	Capital Project Funds			Debt Service	Total Non-major Governmental Funds
	<u>Landfill Closure</u>	<u>Army Base Reuse</u>	<u>Parks and Recreation</u>	<u>Firehouse Bonds</u>	
ASSETS					
Cash and investments	\$ 266,082	\$ 75,180	\$ 605,198	\$ 81,016	\$ 5,153,082
Restricted cash and investments	-	-	-	-	13,807
Accounts receivable	44,626	15,761	-	-	186,123
Interest receivable	81	-	149	14	1,203
Prepaid expenses	-	-	-	-	250
Notes receivable	-	-	-	-	120,496
Advances to other funds	-	-	100,000	-	2,519,955
Total Assets	<u>\$ 310,789</u>	<u>\$ 90,941</u>	<u>\$ 705,347</u>	<u>\$ 81,030</u>	<u>\$ 7,994,916</u>
LIABILITIES:					
Accounts payable and accrued expenses	\$ 34	\$ 170	\$ 611	\$ -	\$ 99,134
Accrued payroll and benefits	101	350	-	-	8,237
Unearned revenues	-	-	-	-	11,121
Deposits payable	-	3,000	-	-	3,000
Due to other funds	-	-	-	-	268,913
Advances from other funds	-	172,799	-	-	172,799
Total Liabilities	<u>135</u>	<u>176,319</u>	<u>611</u>	<u>-</u>	<u>563,204</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow of resources	-	-	-	-	100,000
FUND BALANCES (DEFICITS):					
Nonspendable	-	-	100,000	-	2,520,205
Restricted	-	-	-	81,030	1,761,545
Committed	-	-	-	-	102,454
Assigned	310,654	-	604,736	-	3,215,109
Unassigned	-	(85,378)	-	-	(267,601)
Total Fund Balances (Deficits)	<u>310,654</u>	<u>(85,378)</u>	<u>704,736</u>	<u>81,030</u>	<u>7,331,712</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 310,789</u>	<u>\$ 90,941</u>	<u>\$ 705,347</u>	<u>\$ 81,030</u>	<u>\$ 7,994,916</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, 2014

	Special Revenue Funds				
	Law Enforcement	Asset Forfeiture	ATOD Grant	Gas Tax	CDBG Housing Rehabilitation
REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ 266,141	\$ -
Licenses, permits, and fees	-	-	-	-	-
Use of money and property	652	55	13	2,361	1,906
Intergovernmental	107,790	-	32,986	-	-
Other revenue	-	-	-	-	-
Total Revenues	<u>108,442</u>	<u>55</u>	<u>32,999</u>	<u>268,502</u>	<u>1,906</u>
EXPENDITURES					
Current:					
Public safety	134,800	-	-	-	-
Parks and recreation	-	-	51,080	-	-
Development	-	-	-	-	-
Public works	-	-	-	156,004	-
Capital outlay	14,949	-	-	-	-
Debt service:					
Principal	-	-	-	808	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>149,749</u>	<u>-</u>	<u>51,080</u>	<u>156,812</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(41,307)</u>	<u>55</u>	<u>(18,081)</u>	<u>111,690</u>	<u>1,906</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	-	-	-	24,032	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,032</u>	<u>-</u>
Net change in fund balances	(41,307)	55	(18,081)	135,722	1,906
Fund balances (deficits) - July 1, 2013	<u>182,253</u>	<u>20,362</u>	<u>21,457</u>	<u>640,660</u>	<u>150,547</u>
Fund balances (deficits) - June 30, 2014	<u>\$ 140,946</u>	<u>\$ 20,417</u>	<u>\$ 3,376</u>	<u>\$ 776,382</u>	<u>\$ 152,453</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, 2014

	Special Revenue Funds			Capital Projects	
	<u>Street Projects</u>	<u>Personnel Services District</u>	<u>Developers Revolving</u>	<u>RV High Green Jobs</u>	<u>Vehicle Replacement</u>
REVENUES					
Taxes and assessments	\$ -	\$ 182,519	\$ -	\$ -	\$ -
Licenses, permits, and fees	-	-	100	-	-
Use of money and property	103	1,318	470	-	192
Intergovernmental	-	-	-	-	-
Other revenue	-	-	-	-	25,000
Total Revenues	<u>103</u>	<u>183,837</u>	<u>570</u>	<u>-</u>	<u>25,192</u>
EXPENDITURES					
Current:					
Public safety	-	50,994	-	-	-
Parks and recreation	-	-	-	-	-
Development	-	-	15,016	-	-
Public works	120	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>120</u>	<u>50,994</u>	<u>15,016</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(17)</u>	<u>132,843</u>	<u>(14,446)</u>	<u>-</u>	<u>25,192</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	-	-	-	-	-
Transfers in	-	-	-	-	25,000
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Net change in fund balances	(17)	132,843	(14,446)	-	50,192
Fund balances (deficits) - July 1, 2013	<u>352</u>	<u>318,647</u>	<u>149,812</u>	<u>-</u>	<u>52,262</u>
Fund balances (deficits) - June 30, 2014	<u>\$ 335</u>	<u>\$ 451,490</u>	<u>\$ 135,366</u>	<u>\$ -</u>	<u>\$ 102,454</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, 2014

	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	23,485	-	-	306,348	80,249
Use of money and property	465	95	1,492	5,009	865
Intergovernmental	-	108,660	-	-	5,000
Other revenue	-	8,040	-	-	45
Total Revenues	<u>23,950</u>	<u>116,795</u>	<u>1,492</u>	<u>311,357</u>	<u>86,159</u>
<u>EXPENDITURES</u>					
Current:					
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Development	-	-	-	-	-
Public works	87,358	-	1,320	12,406	50,869
Capital outlay	6,282	65,055	-	104,520	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>93,640</u>	<u>65,055</u>	<u>1,320</u>	<u>116,926</u>	<u>50,869</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(69,690)</u>	<u>51,740</u>	<u>172</u>	<u>194,431</u>	<u>35,290</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Proceeds from long-term debt	-	-	-	-	-
Transfers in	4,750	-	-	-	-
Transfers out	-	(19,000)	-	-	-
Total Other Financing Sources (Uses)	<u>4,750</u>	<u>(19,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(64,940)	32,740	172	194,431	35,290
Fund balances (deficits) - July 1, 2013	<u>157,723</u>	<u>(214,963)</u>	<u>525,633</u>	<u>3,639,990</u>	<u>231,375</u>
Fund balances (deficits) - June 30, 2014	<u>\$ 92,783</u>	<u>\$ (182,223)</u>	<u>\$ 525,805</u>	<u>\$ 3,834,421</u>	<u>\$ 266,665</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, 2014

	Capital Project Funds			Debt Service	Total Non-major Governmental Funds
	Landfill Closure	Army Base Reuse	Parks and Recreation	Firehouse Bonds	
REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ 35,273	\$ 483,933
Licenses, permits, and fees	177,744	-	95,718	-	683,644
Use of money and property	1,295	11,832	2,114	195	30,432
Intergovernmental	-	-	-	-	254,436
Other revenue	-	<u>22,641</u>	-	-	<u>55,726</u>
Total Revenues	<u>179,039</u>	<u>34,473</u>	<u>97,832</u>	<u>35,468</u>	<u>1,508,171</u>
EXPENDITURES					
Current:					
Public safety	-	-	-	-	185,794
Parks and recreation	-	-	-	-	51,080
Development	-	22,551	-	-	37,567
Public works	41,179	-	4,291	-	353,547
Capital outlay	-	-	24,599	-	215,405
Debt service:					
Principal	-	-	-	23,000	23,808
Interest and fiscal charges	-	-	-	<u>7,528</u>	<u>7,528</u>
Total Expenditures	<u>41,179</u>	<u>22,551</u>	<u>28,890</u>	<u>30,528</u>	<u>874,729</u>
Excess (Deficiency) of Revenues over Expenditures	<u>137,860</u>	<u>11,922</u>	<u>68,942</u>	<u>4,940</u>	<u>633,442</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	-	-	-	-	24,032
Transfers in	-	-	-	-	29,750
Transfers out	<u>(138,000)</u>	-	-	-	<u>(157,000)</u>
Total Other Financing Sources (Uses)	<u>(138,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,218)</u>
Net change in fund balances	(140)	11,922	68,942	4,940	530,224
Fund balances (deficits) - July 1, 2013	<u>310,794</u>	<u>(97,300)</u>	<u>635,794</u>	<u>76,090</u>	<u>6,801,488</u>
Fund balances (deficits) - June 30, 2014	<u>\$ 310,654</u>	<u>\$ (85,378)</u>	<u>\$ 704,736</u>	<u>\$ 81,030</u>	<u>\$ 7,331,712</u>

NON-MAJOR PROPRIETARY FUNDS

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

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 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, 2014

	<u>Transit</u>	<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	\$ 261,817	\$ 516,562	\$ 153,535	\$ -	\$ 166,542	\$ 612,430	\$ 1,710,886
Restricted cash and investments	-	-	-	131,087	-	-	131,087
Accounts receivable	209,713	-	-	-	-	6,773	216,486
Interest receivable	73	212	57	-	62	22	426
Total Current Assets	<u>471,603</u>	<u>516,774</u>	<u>153,592</u>	<u>131,087</u>	<u>166,604</u>	<u>619,225</u>	<u>2,058,885</u>
Non Current Assets:							
Due from other governments	-	99,235	-	-	-	-	99,235
Capital assets:							
Land and construction in progress	-	-	-	-	-	21,795	21,795
Depreciable assets, net	231,410	-	-	-	-	449,970	681,380
Total Non Current Assets	<u>231,410</u>	<u>99,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>471,765</u>	<u>802,410</u>
Total Assets	<u>703,013</u>	<u>616,009</u>	<u>153,592</u>	<u>131,087</u>	<u>166,604</u>	<u>1,090,990</u>	<u>2,861,295</u>
LIABILITIES							
Current liabilities:							
Accounts payable	37,788	-	-	-	-	309	38,097
Accrued salary and benefits	10	-	-	-	-	502	512
Deposit payable	-	-	-	-	-	7,572	7,572
Due to other funds	-	-	-	129,006	-	-	129,006
Compensated absences - current	8	-	-	-	-	242	250
Total Current Liabilities	<u>37,806</u>	<u>-</u>	<u>-</u>	<u>129,006</u>	<u>-</u>	<u>8,625</u>	<u>175,437</u>
Non Current Liabilities:							
Compensated absences - noncurrent	23	-	-	-	-	633	656
Total Non Current Liabilities	<u>23</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>633</u>	<u>656</u>
Total Liabilities	<u>37,829</u>	<u>-</u>	<u>-</u>	<u>129,006</u>	<u>-</u>	<u>9,258</u>	<u>176,093</u>
NET POSITION							
Net investment in capital assets	231,410	-	-	-	-	471,765	703,175
Restricted for capital projects	-	-	-	131,087	-	-	131,087
Unrestricted	433,774	616,009	153,592	(129,006)	166,604	609,967	1,850,940
Total Net Position	<u>\$ 665,184</u>	<u>\$ 616,009</u>	<u>\$ 153,592</u>	<u>\$ 2,081</u>	<u>\$ 166,604</u>	<u>\$ 1,081,732</u>	<u>\$ 2,685,202</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, 2014

	<u>Transit</u>	<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:							
Charges for services	\$ 22,453	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,453
Rents	-	-	-	-	-	84,236	84,236
Grant revenues	425,334	-	-	-	-	-	425,334
Other revenues	<u>63,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600</u>	<u>63,685</u>
Total Operating Revenues	<u>510,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,836</u>	<u>595,708</u>
OPERATING EXPENSES:							
Salaries & benefits	616	-	-	-	-	15,491	16,107
Contract services	333,100	-	-	-	-	4,568	337,668
Supplies & materials	102,259	-	-	-	-	27,141	129,400
Utilities	-	-	-	-	-	1,368	1,368
Professional services	52	-	-	-	-	-	52
Miscellaneous	202	-	-	-	-	-	202
Depreciation	<u>50,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,616</u>	<u>63,886</u>
Total Operating Expenses	<u>486,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,184</u>	<u>548,683</u>
OPERATING INCOME	<u>24,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,652</u>	<u>47,025</u>
NON OPERATING REVENUES (EXPENSES):							
Interest revenue	790	1,429	407	526	64	1,398	4,614
Gain on sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>313,965</u>	<u>313,965</u>
Total Non Operating Revenue	<u>790</u>	<u>1,429</u>	<u>407</u>	<u>526</u>	<u>64</u>	<u>315,363</u>	<u>318,579</u>
Change in net position	25,163	1,429	407	526	64	338,015	365,604
Net position - July 1, 2013	<u>640,021</u>	<u>614,580</u>	<u>153,185</u>	<u>1,555</u>	<u>166,540</u>	<u>743,717</u>	<u>2,319,598</u>
Net position - June 30, 2014	<u>\$ 665,184</u>	<u>\$ 616,009</u>	<u>\$ 153,592</u>	<u>\$ 2,081</u>	<u>\$ 166,604</u>	<u>\$ 1,081,732</u>	<u>\$ 2,685,202</u>

CITY OF RIO VISTA
STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Transit</u>	<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	\$ 576,430	\$ -	\$ -	\$ -	\$ -	\$ 92,069	\$ 668,499
Cash paid to suppliers	(487,982)	-	-	-	-	(35,350)	(523,332)
Cash paid to employees	(609)	-	-	-	-	(15,171)	(15,780)
Net cash provided by operating activities	<u>87,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,548</u>	<u>129,387</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</u>							
Proceeds from sale of capital assets	-	-	-	-	-	315,354	315,354
Acquisition of capital assets	(85,514)	-	-	-	-	-	(85,514)
Net cash provided by (used for) noncapital financing activities	<u>(85,514)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>315,354</u>	<u>229,840</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>							
Interest and dividends	798	1,451	414	526	71	1,400	4,660
Net cash provided by investing activities	<u>798</u>	<u>1,451</u>	<u>414</u>	<u>526</u>	<u>71</u>	<u>1,400</u>	<u>4,660</u>
Net increase in cash and cash equivalents	<u>3,123</u>	<u>1,451</u>	<u>414</u>	<u>526</u>	<u>71</u>	<u>358,302</u>	<u>360,764</u>
Cash and Cash Equivalents - July 1, 2013	<u>258,694</u>	<u>515,111</u>	<u>153,121</u>	<u>130,561</u>	<u>166,471</u>	<u>254,128</u>	<u>1,478,086</u>
Cash and Cash Equivalents - June 30, 2014	<u>\$ 261,817</u>	<u>\$ 516,562</u>	<u>\$ 153,535</u>	<u>\$ 131,087</u>	<u>\$ 166,542</u>	<u>\$ 612,430</u>	<u>\$ 1,841,973</u>

CITY OF RIO VISTA
STATEMENT OF CASH FLOWS (continued)
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Transit</u>	<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 INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>							
Operating income	\$ 24,373	\$ -	\$ -	\$ -	\$ -	\$ 22,652	\$ 47,025
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	50,270	-	-	-	-	13,616	63,886
Changes in assets and liabilities:							
Increase in accounts receivable	65,558	-	-	-	-	5,583	71,141
Increase in accounts payable	(52,369)	-	-	-	-	(2,273)	(54,642)
Increase in deposits payable	-	-	-	-	-	1,650	1,650
Increase in accrued wages	-	-	-	-	-	128	128
Increase in compensated absences	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192</u>	<u>199</u>
Total adjustments	<u>63,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,896</u>	<u>18,896</u>
Net cash provided by operating activities	<u>\$ 87,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,548</u>	<u>\$ 129,387</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, 2014

	<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	\$ 275,619	\$ 170,403	\$ 103,686	\$ 621,532	\$ 1,021,483	\$ 2,192,723
Restricted cash	-	-	-	1,117,577	1,016,236	2,133,813
Interest receivable	<u>30</u>	<u>57</u>	<u>76</u>	<u>45</u>	<u>103</u>	<u>311</u>
Total Assets	<u>\$ 275,649</u>	<u>\$ 170,460</u>	<u>\$ 103,762</u>	<u>\$ 1,739,154</u>	<u>\$ 2,037,822</u>	<u>\$ 4,326,847</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 70	\$ -	\$ 20,491	\$ 70	\$ 70	\$ 20,701
Agency obligations	<u>275,579</u>	<u>170,460</u>	<u>83,271</u>	<u>1,739,084</u>	<u>2,037,752</u>	<u>4,306,146</u>
Total Liabilities	<u>\$ 275,649</u>	<u>\$ 170,460</u>	<u>\$ 103,762</u>	<u>\$ 1,739,154</u>	<u>\$ 2,037,822</u>	<u>\$ 4,326,847</u>

CITY OF RIO VISTA
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Riverview Point</u>				
ASSETS				
Cash and investments	\$ 267,241	\$ 399,528	\$ 391,150	\$ 275,619
Interest receivable	<u>35</u>	<u>30</u>	<u>35</u>	<u>30</u>
Total Assets	<u>\$ 267,276</u>	<u>\$ 399,558</u>	<u>\$ 391,185</u>	<u>\$ 275,649</u>
LIABILITIES				
Accounts payable	\$ 44	\$ 143,252	\$ 143,226	\$ 70
Agency obligations	<u>267,232</u>	<u>156,613</u>	<u>148,266</u>	<u>275,579</u>
Total Liabilities	<u>\$ 267,276</u>	<u>\$ 299,865</u>	<u>\$ 291,492</u>	<u>\$ 275,649</u>
<u>Summerset</u>				
ASSETS				
Cash and investments	\$ 169,953	\$ 757	\$ 307	\$ 170,403
Interest receivable	<u>63</u>	<u>57</u>	<u>63</u>	<u>57</u>
Total Assets	<u>\$ 170,016</u>	<u>\$ 814</u>	<u>\$ 370</u>	<u>\$ 170,460</u>
LIABILITIES				
Agency obligations	<u>\$ 170,016</u>	<u>\$ 564</u>	<u>\$ 120</u>	<u>\$ 170,460</u>
Total Liabilities	<u>\$ 170,016</u>	<u>\$ 564</u>	<u>\$ 120</u>	<u>\$ 170,460</u>
<u>Summerset L&L District</u>				
ASSETS				
Cash and investments	\$ 162,508	\$ 495,045	\$ 553,867	\$ 103,686
Interest Receivable	<u>85</u>	<u>76</u>	<u>85</u>	<u>76</u>
Total Assets	<u>\$ 162,593</u>	<u>\$ 495,121</u>	<u>\$ 553,952</u>	<u>\$ 103,762</u>
LIABILITIES				
Accounts payable	\$ 11,075	\$ 263,637	\$ 254,221	\$ 20,491
Agency obligations	<u>151,518</u>	<u>236,376</u>	<u>304,623</u>	<u>83,271</u>
Total Liabilities	<u>\$ 162,593</u>	<u>\$ 500,013</u>	<u>\$ 558,844</u>	<u>\$ 103,762</u>
<u>Community Facilities District 2004-1</u>				
ASSETS				
Cash and investments	\$ 613,128	\$ 4,440,498	\$ 4,432,094	\$ 621,532
Restricted cash and investments	1,117,562	221	206	1,117,577
Interest receivable	<u>50</u>	<u>45</u>	<u>50</u>	<u>45</u>
Total Assets	<u>\$ 1,730,740</u>	<u>\$ 4,440,764</u>	<u>\$ 4,432,350</u>	<u>\$ 1,739,154</u>
LIABILITIES				
Accounts payable	\$ 310	\$ 31,169	\$ 31,409	\$ 70
Agency obligations	<u>1,730,430</u>	<u>1,879,928</u>	<u>1,871,274</u>	<u>1,739,084</u>
Total Liabilities	<u>\$ 1,730,740</u>	<u>\$ 1,911,097</u>	<u>\$ 1,902,683</u>	<u>\$ 1,739,154</u>

CITY OF RIO VISTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (continued)
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Community Facilities District 2006-1</u>				
ASSETS				
Cash and investments	\$ 1,008,927	\$ 4,097,000	\$ 4,084,444	\$ 1,021,483
Restricted cash and investments	1,016,223	199	186	1,016,236
Interest receivable	<u>114</u>	<u>103</u>	<u>114</u>	<u>103</u>
Total Assets	<u>\$ 2,025,264</u>	<u>\$ 4,097,302</u>	<u>\$ 4,084,744</u>	<u>\$ 2,037,822</u>
LIABILITIES				
Accounts payable	\$ 284	\$ 17,370	\$ 17,584	\$ 70
Agency obligations	<u>2,024,980</u>	<u>1,724,066</u>	<u>1,711,294</u>	<u>2,037,752</u>
Total Liabilities	<u>\$ 2,025,264</u>	<u>\$ 1,741,436</u>	<u>\$ 1,728,878</u>	<u>\$ 2,037,822</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash and investments	\$ 2,221,757	\$ 9,432,828	\$ 9,461,862	\$ 2,192,723
Restricted cash and investments	2,133,785	420	392	2,133,813
Interest receivable	<u>347</u>	<u>311</u>	<u>347</u>	<u>311</u>
Total Assets	<u>\$ 4,355,889</u>	<u>\$ 9,433,559</u>	<u>\$ 9,462,601</u>	<u>\$ 4,326,847</u>
LIABILITIES				
Accounts payable	\$ 11,713	\$ 455,428	\$ 446,440	\$ 20,701
Agency obligations	<u>4,344,176</u>	<u>3,997,547</u>	<u>4,035,577</u>	<u>4,306,146</u>
Total Liabilities	<u>\$ 4,355,889</u>	<u>\$ 4,452,975</u>	<u>\$ 4,482,017</u>	<u>\$ 4,326,847</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, 2014, 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 May 8, 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: 2014-01 through 2014-02.

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: 2014-03 through 2014-05.

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 that reads "Mark Cantrell CPA". The signature is written in a cursive, slightly slanted style.

Sacramento, California
May 8, 2015

CITY OF RIO VISTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014

Finding 2014-01: Year-End Closing Procedures (Material Weakness - Repeat Finding)

Criteria

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

Condition

During the 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, 2014. 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, 2014. 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, 2014

Finding 2014-02: 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, 2014. 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, 2014

Finding 2014-03: 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, 2014. 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, 2014

Finding 2014-04: 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

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

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, 2014. 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, 2014

Finding 2014-05: 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, 2014. 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, 2014

Finding 2013-01: 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

Implemented.

Finding 2013-02: Year-End Closing Procedures (Material Weakness - Repeat Finding)

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.

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.

Status

Repeat finding. See 2014-01.

CITY OF RIO VISTA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES (continued)
JUNE 30, 2014

Finding 2013-03: 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 2014-02.

Finding 2013-04: 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 2014-03.

CITY OF RIO VISTA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES (continued)
JUNE 30, 2014

Finding 2013-05: Payroll (Significant Deficiency)

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.

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 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 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 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 2014-04.

Finding 2013-06: Accounts Receivable & Cash Receipts (Significant Deficiency)

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.

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.

Status

Repeat finding. See 2014-05.