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**CITY OF RIO VISTA  
TRANSIT FUND**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED JUNE 30, 2018 and 2017**

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**CITY OF RIO VISTA TRANSIT FUND  
FOR THE YEARS ENDED JUNE 30, 2018 and 2017**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Transit Fund of the City of Rio Vista as of and for the years ended June 30, 2018 and 2017, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial position of the Transit Fund of the City of Rio Vista, as of June 30, 2018 and 2017, and the changes in financial position and cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter***Change in Accounting Principles*

As discussed in Note 1 to the financial statements, during the year ended June 30, 2018, the City adopted a new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

*Other information*

As discussed in Note 1, the financial statements present only the Transit Fund of the City of Rio Vista and do not purport to, and do not, present fairly the financial position of City of Rio Vista as of June 30, 2018 and 2017, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018, on our consideration of the Transit Fund 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transit Fund of the City of Rio Vista's internal control over financial reporting and compliance.

*Mann, Arutia, Nelson CPAs*

Sacramento, California  
November 21, 2018

**CITY OF RIO VISTA TRANSIT FUND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and investments (Note 2)	\$ 408,205	\$ 303,497
Accounts receivable	104,138	251,450
Interest receivable	25	13
Prepaid Items	1,500	2,675
<b>Total Current Assets</b>	<b>513,868</b>	<b>557,635</b>
Capital Assets, net of accumulated depreciation (Note 3)	124,341	185,408
<b>TOTAL ASSETS</b>	<b>638,209</b>	<b>743,043</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Pension contributions (Note 7)	721	65
Changes in net pension liability (Note 7)	1,911	122
OPEB contributions (Note 8)	134	-
<b>Total Deferred Outflows of Resources</b>	<b>2,766</b>	<b>187</b>
<b><u>LIABILITIES</u></b>		
Current Liabilities		
Accounts payable	142,743	96,431
Salaries and benefits payable	356	215
Unearned revenue	3,083	2,917
Compensated absences, due within one year (Note 5)	343	173
<b>Total Current Liabilities</b>	<b>146,525</b>	<b>99,736</b>
Long-term Liabilities		
Compensated absences, net of current portion (Note 5)	1,051	609
Net pension liability (Note 7)	8,197	279
Total OPEB liability (Note 8)	3,422	-
<b>Total Long-Term Liabilities</b>	<b>12,670</b>	<b>888</b>
<b>TOTAL LIABILITIES</b>	<b>159,195</b>	<b>100,624</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Changes in net pension liability (Note 7)	278	189
<b><u>NET POSITION</u></b>		
Net investment in capital assets	124,341	185,408
Unrestricted	357,161	457,009
<b>TOTAL NET POSITION</b>	<b>\$ 481,502</b>	<b>\$ 642,417</b>

See accompanying notes to the financial statements.

**CITY OF RIO VISTA TRANSIT FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for services	\$ 16,152	\$ 17,294
TDA operating grants	393,511	254,322
FTA operating grants	35,000	166,000
Other revenue	<u>19,109</u>	<u>17,416</u>
<b>Total Operating Revenues</b>	<u>463,772</u>	<u>455,032</u>
<b><u>OPERATING EXPENSES</u></b>		
Salaries and benefits	29,402	15,252
Office supplies and expenses	46,940	42,179
Maintenance and operation	25,830	12,617
Contractual services	373,113	392,583
Administration	95,800	-
Insurance	4,462	1,971
Depreciation	<u>61,067</u>	<u>114,321</u>
<b>Total Operating Expenses</b>	<u>636,614</u>	<u>578,923</u>
<b>Net Loss From Operations</b>	<u>(172,842)</u>	<u>(123,891)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest revenue	2,323	987
TDA capital grants	-	191,928
Gain on asset disposal	<u>14,400</u>	<u>-</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>16,723</u>	<u>192,915</u>
<b>Income (Loss) Before Transfers</b>	<u>(156,119)</u>	<u>69,024</u>
<b><u>TRANSFERS</u></b>		
Transfers out to other funds of the City	<u>(1,921)</u>	<u>(3,000)</u>
<b>Total Transfers</b>	<u>(1,921)</u>	<u>(3,000)</u>
<b>CHANGE IN NET POSITION</b>	<u>(158,040)</u>	<u>66,024</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	642,417	576,393
<b>PRIOR PERIOD ADJUSTMENT (NOTE 11)</b>	<u>(2,875)</u>	<u>-</u>
<b>NET POSITION, BEGINNING OF YEAR, RESTATED</b>	639,542	576,393
<b>NET POSITION, END OF YEAR</b>	<u>\$ 481,502</u>	<u>\$ 642,417</u>

See accompanying notes to the financial statements.

**CITY OF RIO VISTA TRANSIT FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts from customers and users	\$ 611,250	\$ 420,774
Payments to suppliers	(498,658)	(415,976)
Payments to employees	<u>(22,674)</u>	<u>(15,251)</u>
<b>Cash Flows Provided by (Used For) Operating Activities</b>	<u>89,918</u>	<u>(10,453)</u>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>		
Transfers to other funds of the City	<u>(1,921)</u>	<u>(3,000)</u>
<b>Cash Flows Used For Noncapital Financing Activities</b>	<u>(1,921)</u>	<u>(3,000)</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Acquisition of capital assets	-	(178,978)
Proceeds received from sale of assets	14,400	-
Capital contributions	<u>-</u>	<u>191,928</u>
<b>Cash Flows Provided by Capital and Related Financing Activities</b>	<u>14,400</u>	<u>12,950</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest and dividends	<u>2,311</u>	<u>982</u>
<b>Cash Flows Provided by Investing Activities</b>	<u>2,311</u>	<u>982</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	104,708	479
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>303,497</u>	<u>303,018</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 408,205</u>	<u>\$ 303,497</u>
<b>RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Net loss from operations	\$ (172,842)	\$ (123,891)
Adjustments to reconcile net loss from operations to net cash provided by (used for) operating activities:		
Depreciation	61,067	114,321
Pension and OPEB expense	5,975	(27)
Change in operating assets and liabilities:		
Accounts receivable	147,312	(34,342)
Prepaid expenses	1,175	(2,610)
Accounts payable	46,312	35,984
Deferred revenue	166	84
Salaries and benefits payable	141	34
Compensated absences	<u>612</u>	<u>(6)</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ 89,918</u>	<u>\$ (10,453)</u>

See accompanying notes to the financial statements.

**CITY OF RIO VISTA TRANSIT FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Rio Vista (City) accounts for California Transportation Development Act (TDA) monies in the Transit Enterprise Fund. This fund is a part of the City and not a separate legal entity. These financial statements are not intended to reflect the financial position, changes in financial position and cash flows, where applicable, of the City in accordance with accounting principles generally accepted in the United States of America.

The Transit Enterprise Fund's operations do not generate sufficient fares to cover the operating expenses. Expenses incurred in excess of these revenues, interest and other revenues are reimbursed with grant funds. The operations are subsidized by Federal and State grants programmed by the Solano Transportation Authority, which is the regional coordinating agency for State of California Transportation Development Act grants.

**B. Basis of Presentation**

The basic financial statements of the TDA Fund have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles 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 Revenues, Expenses, and Changes in Net Position include all of the activities of the City's Transit Fund. The Transit fund's resources are allocated to and accounted for in these basic financial statements as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. The Transit fund's net position are reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position. The Transit fund first utilizes restricted resources to finance qualifying activities.

The Statement of Revenues, Expenses, and Changes in Net Position includes business-type activities that are presented using 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 the economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses consists of those revenues and expenses that result from the ongoing principal operations of the Transit fund. Operating revenues consist primarily of charges for services and operating grants. Operating expenses consist of the cost of services, vehicle maintenance, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. 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.

All proprietary funds are reported using the *economic resources* measurement focus and the *full accrual* basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.



**CITY OF RIO VISTA TRANSIT FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2018 and 2017**

**NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services.

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

**D. Cash and Cash Equivalents**

The Transit fund pools its cash and investments with the City of Rio Vista. The cash and investment balance in the fund represents the fund's equity share of the City's cash and investment pool.

The Transit fund'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. The Local Agency Investment Fund (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 Statement of Net Position. Changes in fair value are allocated to each participating fund.

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.

For purposes of cash flow, the Transit fund considers cash and investments in the City of Rio Vista's investment pool with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

**E. Capital Assets**

Infrastructure with an individual cost of \$5,000 or more and a useful life of one year or more are capitalized. Assets acquired with grant funds may be capitalized even though their individual cost is less than \$5,000. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Revenues, Expenses, and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Structures and improvements	5 - 20 years
Machinery and equipment	5 - 20 years
Vehicles	5 - 12 years

**F. Compensated Absences**

A total of 12 to 25 days' vacation and 12 days' sick leave per year may be accumulated by each employee; however, employees are not paid for accumulated sick leave in excess of 60 days upon retirement or other termination after completion of three years of service. Each employee may accumulate a maximum of 50 days of vacation.

**G. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net 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.

**CITY OF RIO VISTA TRANSIT FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2018 and 2017**

**NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In addition to liabilities, the Statement of Net 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 be recognized as an inflow of resources (revenue) until that time.

**H. Pension Plan**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CALPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**I. Other Postemployment Benefits (OPEB)**

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

**J. Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**K. 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.

**NOTE 2: CASH AND INVESTMENTS**

The Transit fund participates in the City's cash and investment pool. These balances are stated at fair value. The Transit fund's share of the cash and investment pool is separately accounted for and interest earned is apportioned quarterly based upon the relationship of its average monthly cash balance to the total of the pooled cash and investments. The value of pool shares in the City that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Transit fund's position in the pool. Cash and investments as of June 30, 2018 and 2017 totaled \$408,205 and \$303,497, respectively, and consisted of cash and investments pooled with the City of Rio Vista. Of these balances, \$5,860 and \$5,792 as of June 30, 2018 and 2017, respectively, were invested in the Local Agency Investment Fund.

**CITY OF RIO VISTA TRANSIT FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2018 and 2017**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

Investments Authorized by the California Government Code and the City's Investment Policy

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

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

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

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

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

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:

**CITY OF RIO VISTA TRANSIT FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2018 and 2017**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

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

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

Disclosures 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.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Transit fund and the City had no investments that were highly sensitive to interest rate fluctuations as of June 30, 2018 and 2017.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Transit fund pools its cash and investments with the City. See the City's of Rio Vista's annual financial report for information relating to concentration of credit risk for amounts reported as cash and investments pooled with the City.

**CITY OF RIO VISTA TRANSIT FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2018 and 2017**

**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's 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 agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The Transit fund pools its cash with the City of Rio Vista including deposit accounts. See the City of Rio Vista's annual financial report for information relating to custodial credit risk for amounts reported as cash and investments pooled with the City.

**NOTE 3: CAPITAL ASSETS**

Capital asset activity consisted of the following for the year ended June 30, 2018:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>
Capital assets, being depreciated:				
Vehicles	\$ <u>550,044</u>	\$ <u>-</u>	\$ <u>(145,354)</u>	\$ <u>404,690</u>
Less accumulated depreciation for:				
Vehicles	<u>(364,636)</u>	<u>(61,067)</u>	<u>145,354</u>	<u>(280,349)</u>
Total capital assets being depreciated, net	\$ <u><u>185,408</u></u>	\$ <u><u>(61,067)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>124,341</u></u>

Capital asset activity consisted of the following for the year ended June 30, 2017:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>
Capital assets, being depreciated:				
Vehicles	\$ <u>371,066</u>	\$ <u>178,978</u>	\$ <u>-</u>	\$ <u>550,044</u>
Less accumulated depreciation for:				
Vehicles	<u>(250,315)</u>	<u>(114,321)</u>	<u>-</u>	<u>(364,636)</u>
Total capital assets being depreciated, net	\$ <u><u>120,751</u></u>	\$ <u><u>64,657</u></u>	\$ <u><u>-</u></u>	\$ <u><u>185,408</u></u>

Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$61,067 and \$114,321 respectively.

**NOTE 4: ACCOUNTS RECEIVABLE**

Receivables represent grant revenues due from other governments. Receivables are recorded and revenues are recognized as earned or as specific program expenditures are incurred.

**CITY OF RIO VISTA TRANSIT FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2018 and 2017**

**NOTE 5: COMPENSATED ABSENCES**

The liabilities for vacation leave and other compensated absences, excluding sick leave, are accrued when the benefits are earned by the employee if the leave is attributable to past service and it is probable that the employer will compensate the employee through paid time off or some other means, such as cash payments at termination or retirement. As of June 30, 2018, the Fund had accrued \$1,394 in compensated absences, \$343 of which is expected to be paid out within a year. Similarly, as of June 30, 2017, the Fund had accrued \$782 in compensated absences, \$173 of which was expected to be paid out in the year ended June 30, 2018.

**NOTE 6: TRANSFERS TO THE CITY**

Transfers to other funds of the City include a \$1,921 transfer from the Transit Fund to the City's Northwest Water Treatment Plant fund for rent of an office space.

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

The Transit Fund's employees are eligible to participate in the City's California Public Employees' Retirement System (CalPERS) plan. For the year ended June 30, 2018, the Transit Fund recorded a net pension liability of \$8,197. Deferred outflows and inflows related to changes in the net pension liability were recorded totaling \$2,632 and \$278, respectively. Additional information regarding the City's defined benefit pension plan can be found in the City of Rio Vista's annual financial report.

**NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The Transit Fund's employees are eligible to participate in the City's health, dental, and vision programs provided the retiree pays his or her entire premium, less the employer mandatory contribution. For the year ended June 30, 2018, the Transit Fund recorded a total OPEB liability of \$3,422. Deferred outflows related to changes in the total OPEB liability were recorded totaling \$134. Additional information regarding the City's Other Post-Employment Benefits (OPEB) can be found in the City of Rio Vista's annual financial report.

**NOTE 9: CONTINGENT LIABILITIES**

The Transit Fund participates in Federal and State grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**CITY OF RIO VISTA TRANSIT FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2018 and 2017**

**NOTE 10: TRANSIT COMPLIANCE**

TDA claimants are subject to either a 10% farebox recovery ratio (under Article 4), or the 50% limitation (under Article 8). The City of Rio Vista is an Article 8 claimant.

Under section 99405, the allocation for any purpose specified in Section 99400 may in no year exceed 50% of the amount required to meet the City's total proposed expenditures for that purpose. The calculation is as follows:

<u>50% Limitation</u>	<u>2018</u>	<u>2017</u>
TDA Allocation	\$ 225,068	\$ 254,322
Operating expenditures	<u>486,428</u>	<u>454,439</u>
50% limitation	<u>46 %</u>	<u>56 %</u>

The Transit Fund was in compliance with the Article 8 requirement for the fiscal year ended June 30, 2018 and was not in compliance with the Article 8 requirement for the fiscal year ended June 30, 2017.

**NOTE 11: PRIOR PERIOD ADJUSTMENT**

For the year ending June 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. As a result of implementation, the overall change of \$2,875 was recorded as a decrease to beginning net position. Additional information regarding the prior period adjustment can be found in the City of Rio Vista's annual financial report.

**NOTE 12: CONCENTRATIONS**

The Transit Fund of the City receives a substantial amount of its support from a statewide retail sales tax from the Local Transportation Fund created by the TDA. A significant reduction in the level of this support, if this was to occur, may have a significant effect on the Transit Fund's activities.



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**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  
City of Rio Vista

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 Transit Fund of the City of Rio Vista (Transit Fund), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Transit Fund's basic financial statements, and have issued our report thereon dated November 21, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Transit Fund'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 the Transit Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transit Fund's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Transit Fund'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*.

**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.

*Mann, Urrutia, Nelson CPAs*

Sacramento, California  
November 21, 2018





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## REPORT ON COMPLIANCE WITH THE TRANSPORTATION DEVELOPMENT ACT

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

We have audited the accompanying financial statements of the Transit Fund of the City of Rio Vista (Transit Fund), as of June 30, 2018, and for the year then ended, and have issued our report thereon dated November 21, 2018. 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.

As part of obtaining reasonable assurance about whether the Transit Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that allocations authorized by the Solano Transportation Authority were received and expensed in accordance with the allocation instructions and resolutions of the Agency and in conformance with the California Transportation Development Act. Specifically, we performed tasks identified in the California Code of Regulations Sections 6666 and 6667 that are applicable to the Transit Fund.

In connection with our audit, we found the financial statements of the Transit Fund of the City of Rio Vista to be in compliance with the rules and regulations of the Transportation Development Act. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of management of the Transportation Development Act Funds allocated to the City of Rio Vista, the Solano Transportation Authority, the California Department of Transportation, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Mann, Urrutia, Nelson CPAs*

Sacramento, California  
November 21, 2018