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**CITY OF RIO VISTA  
TRANSIT FUND**

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

**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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**CITY OF RIO VISTA TRANSIT FUND  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinions

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, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

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, 2022 and 2021, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Rio Vista, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter

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 the City of Rio Vista as of June 30, 2022 and 2021, the changes in its financial position, or where applicable, its cash flows for the years then ended in accordance 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.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Rio Vista's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2023, 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, including the Transportation Development Act and other state program guidelines. 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.

*Mamm. V. M. H. N. H. N. CPA*

Sacramento, California  
January 3, 2023

**CITY OF RIO VISTA TRANSIT FUND**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and investments (Note 2)	\$ 470,867	\$ 233,497
Accounts receivable	173,786	417,216
Interest receivable	41	24
Prepaid Items	1,167	-
<b>Total Current Assets</b>	<b>645,861</b>	<b>650,737</b>
Capital assets, net of accumulated depreciation (Note 3)	46,325	69,550
<b>TOTAL ASSETS</b>	<b>692,186</b>	<b>720,287</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Changes in net pension liability (Note 7)	4,951	5,210
Changes in the total OPEB liability (Note 8)	935	678
<b>Total Deferred Outflows of Resources</b>	<b>5,886</b>	<b>5,888</b>
<b><u>LIABILITIES</u></b>		
Current Liabilities		
Accounts payable	115,156	118,267
Salaries and benefits payable	769	622
Compensated absences, due within one year (Note 5)	1,006	653
Lease liability, due within one year (Note 9)	84	-
<b>Total Current Liabilities</b>	<b>117,015</b>	<b>119,542</b>
Long-term Liabilities		
Compensated absences, net of current portion (Note 5)	3,591	2,344
Lease liability, net of current portion (Note 9)	212	-
Net pension liability (Note 7)	11,935	21,414
Total OPEB liability (Note 8)	4,590	4,622
<b>Total Long-Term Liabilities</b>	<b>20,328</b>	<b>28,380</b>
<b>TOTAL LIABILITIES</b>	<b>137,343</b>	<b>147,922</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Changes in net pension liability (Note 7)	5,468	1,393
Changes in the total OPEB liability (Note 8)	1,176	434
<b>Total Deferred Inflows of Resources</b>	<b>6,644</b>	<b>1,827</b>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	46,029	69,550
Unrestricted	508,056	506,876
<b>TOTAL NET POSITION</b>	<b>\$ 554,085</b>	<b>\$ 576,426</b>

See accompanying notes to the financial statements.

**CITY OF RIO VISTA TRANSIT FUND**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b><u>OPERATING REVENUES</u></b>		
Charges for services	\$ 10,891	\$ 4,829
TDA operating grants	87,369	345,774
FTA operating grants	440,771	200,299
<b>Total Operating Revenues</b>	<b>539,031</b>	<b>550,902</b>
<b><u>OPERATING EXPENSES</u></b>		
Salaries and benefits	23,909	30,660
Office supplies and expenses	50,578	35,799
Maintenance and operation	13,714	7,323
Contractual services	424,441	417,341
Insurance	13,758	9,845
Depreciation and amortization	23,605	36,944
<b>Total Operating Expenses</b>	<b>550,005</b>	<b>537,912</b>
<b>Operating Income (Loss)</b>	<b>(10,974)</b>	<b>12,990</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest revenue	332	477
Interest expense	(1)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>331</b>	<b>477</b>
<b>Income (Loss) Before Transfers</b>	<b>(10,643)</b>	<b>13,467</b>
<b><u>TRANSFERS</u></b>		
Transfers in from other funds of the City	302	-
Transfers out to other funds of the City	(12,000)	(12,000)
<b>Total Transfers</b>	<b>(11,698)</b>	<b>(12,000)</b>
<b>CHANGE IN NET POSITION</b>	<b>(22,341)</b>	<b>1,467</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>576,426</b>	<b>574,959</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 554,085</b>	<b>\$ 576,426</b>

See accompanying notes to the financial statements.

**CITY OF RIO VISTA TRANSIT FUND**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts from customers and users	\$ 782,461	\$ 458,620
Payments to suppliers	(506,769)	(494,653)
Payments to employees	<u>(26,858)</u>	<u>(24,604)</u>
<b>Cash Flows Provided by (Used For) Operating Activities</b>	<u>248,834</u>	<u>(60,637)</u>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>		
Transfers to other funds of the City, net	<u>(11,698)</u>	<u>(12,000)</u>
<b>Cash Flows Used For Noncapital Financing Activities</b>	<u>(11,698)</u>	<u>(12,000)</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Principal paid on long-term debt	<u>(81)</u>	<u>-</u>
<b>Cash Flows Used for Capital and Related Financing Activities</b>	<u>(81)</u>	<u>-</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest and dividends	<u>315</u>	<u>606</u>
<b>Cash Flows Provided by Investing Activities</b>	<u>315</u>	<u>606</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	237,370	(72,031)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>233,497</u>	<u>305,528</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 470,867</u>	<u>\$ 233,497</u>
<b>RECONCILIATION OF NET INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Income (loss) from operations	\$ (10,974)	\$ 12,990
Adjustments to reconcile income (loss) from operations to net cash provided by (used for) operating activities:		
Depreciation and amortization	23,605	36,944
Pension and OPEB expense	(4,696)	5,175
Change in operating assets and liabilities:		
Accounts receivable	243,430	(92,282)
Prepaid expenses	(1,167)	-
Accounts payable	(3,111)	(24,345)
Salaries and benefits payable	147	119
Compensated absences	<u>1,600</u>	<u>762</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ 248,834</u>	<u>\$ (60,637)</u>

See accompanying notes to the financial statements.

**CITY OF RIO VISTA TRANSIT FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 and 2021**

**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, 2022 and 2021**

**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**

Assets with an initial, 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, and right-to-use lease assets which are described in Note 1J. 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 and amortization of all exhaustible capital assets is recorded as an expense in the Statement of Revenues, Expenses, and Changes in Net Position, with accumulated depreciation/amortization reflected in the Statement of Net Position. Depreciation/amortization 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
Right-to-use lease assets	2- 5 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.

**CITY OF RIO VISTA TRANSIT FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2022 and 2021**

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

**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 assets 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 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 assets 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, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

**J. Leases**

Lessee

The City is a lessee for several noncancellable leases of equipment, some of which have been allocated to the Transit fund. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

**CITY OF RIO VISTA TRANSIT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**JUNE 30, 2022 and 2021**

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

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonable certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

**K. 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.

**L. 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, 2022 and 2021 totaled \$470,867 and \$233,497, respectively, and consisted of cash and investments pooled with the City of Rio Vista. Of these balances, \$3,156 and \$3,147 as of June 30, 2022 and 2021, respectively, were invested in the Local Agency Investment Fund.

**CITY OF RIO VISTA TRANSIT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**JUNE 30, 2022 and 2021**

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

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

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	30%	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
Money Market Accounts	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.

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, 2022 and 2021.

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 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, 2022 and 2021**

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

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 Transit Fund'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. The maturities related to LAIF investments, as well as the corresponding fair value hierarchy of these investments, can be found in the City of Rio Vista's annual financial report.

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.

**CITY OF RIO VISTA TRANSIT FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2022 and 2021**

**NOTE 3: CAPITAL ASSETS**

Capital asset activity consisted of the following for the year ended June 30, 2022:

	<u>July 1, 2021</u> <u>Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>
Capital assets, being depreciated:				
Vehicles	\$ 410,433	\$ -	\$ -	\$ 410,433
Right-to-use lease asset	<u>380</u>	<u>-</u>	<u>-</u>	<u>380</u>
Total capital assets, being depreciated	<u>410,813</u>	<u>-</u>	<u>-</u>	<u>410,813</u>
Less accumulated depreciation for:				
Vehicles	(340,883)	(23,521)	-	(364,404)
Right-to-use lease asset	<u>-</u>	<u>(84)</u>	<u>-</u>	<u>(84)</u>
Total accumulated depreciation	<u>(340,883)</u>	<u>(23,605)</u>	<u>-</u>	<u>(364,488)</u>
Total capital assets being depreciated, net	<u>\$ 69,930</u>	<u>\$ (23,605)</u>	<u>\$ -</u>	<u>\$ 46,325</u>

Capital asset activity consisted of the following for the year ended June 30, 2021:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>
Capital assets, being depreciated:				
Vehicles	\$ <u>410,433</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>410,433</u>
Less accumulated depreciation for:				
Vehicles	<u>(303,939)</u>	<u>(36,944)</u>	<u>-</u>	<u>(340,883)</u>
Total capital assets being depreciated, net	<u>\$ 106,494</u>	<u>\$ (36,944)</u>	<u>\$ -</u>	<u>\$ 69,550</u>

Depreciation/amortization expense for the years ended June 30, 2022 and 2021 totaled \$23,605 and \$36,944, 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.

**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, 2022, the Fund had accrued \$4,597 in compensated absences, \$1,006 of which is expected to be paid out within a year. Similarly, as of June 30, 2021, the Fund had accrued \$2,997 in compensated absences, \$653 of which was expected to be paid out in the year ended June 30, 2022.

**CITY OF RIO VISTA TRANSIT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**JUNE 30, 2022 and 2021**

**NOTE 6: TRANSFERS TO/ FROM THE CITY**

For the year ended June 30, 2022, transfers to other funds of the City included a \$12,000 transfer from the Transit Fund to the City's Northwest Water Treatment Plant fund for the rent of an office space. Transfers from other funds of the City to the Transit fund included a \$302 transfer from the City's Capital Projects fund to reallocate payroll costs.

For the year ended, June 30, 2021, transfers to other funds of the City included a \$12,000 transfer from the Transit Fund to the City's Northwest Water Treatment Plant fund for rent of an office space. There were no transfers from other funds of the City to the Transit Fund during the year ended June 30, 2021.

**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, 2022, the Transit Fund recorded a net pension liability of \$11,935. Deferred outflows and inflows related to changes in the net pension liability were recorded totaling \$4,951 and \$5,468, respectively. For the year ended June 30, 2021, the Transit Fund recorded a net pension liability of \$21,414. Deferred outflows and inflows related to changes in the net pension liability were recorded totaling \$5,210 and \$1,393 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, 2022, the Transit Fund recorded a total OPEB liability of \$4,590. Deferred outflows and inflows related to changes in the total OPEB liability were recorded totaling \$935 and \$1,176, respectively. For the year ended June 30, 2021, the Transit Fund recorded a total OPEB liability of \$4,622. Deferred outflows and inflows related to changes in the total OPEB liability were recorded totaling \$678 and \$434, respectively. 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: LEASE LIABILITY**

The City, as a lessee, has entered into a lease agreement involving a postage machine. A portion of the lease liability and related expense is allocated to the Transit Fund. The allocated portion of the City's related right-to-use lease asset is recorded at a cost of \$380, less accumulated amortization of \$84. Future principal payments related to the Transit fund's lease liability total \$296, of which \$84 is expected to be paid within one year. See Note 12 regarding implementation of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*.

**CITY OF RIO VISTA TRANSIT FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2022 and 2021**

**NOTE 10: CONTINGENCIES**

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.

Worldwide Public Health Emergency - Coronavirus (COVID-19) Outbreak

The World Health Organization declared the worldwide coronavirus (COVID-19) outbreak a public health emergency on January 30, 2020 and officially declared it a pandemic as of March 11, 2020. The City has performed an evaluation of certain financial statement line items such as accounts receivable, investments, notes payable, net pension liability, and other post employment benefit obligations to determine whether valuation of impairment adjustments should be made. The City has determined that the amounts reported on the Transit Fund's financial statements are properly valued as of June 30, 2022. However, since the duration and full effects of the COVID-19 outbreak are yet unknown there could be future negative impacts to Transit Fund's financial position that have yet to be determined.

**NOTE 11: TRANSIT COMPLIANCE**

TDA claimants are required by the Metropolitan Transportation Commission to maintain either a 10% farebox recovery ratio (under Article 4), or the 50% limitation (under Article 8).

For the years ended June 30, 2022 and 2021, TDA funds did not meet the 10% fare revenue ratio. The calculation of the fare revenue ratio is as follows:

<u>Farebox Recovery Ratio</u>	<u>2022</u>	<u>2021</u>
Fare revenue	\$ 11,525	\$ 5,306
Operating expenses	468,800	446,837
Less: depreciation	<u>(23,605)</u>	<u>(36,944)</u>
Net operating expenses	<u>\$ 445,195</u>	<u>\$ 409,893</u>
Fare revenue ratio	<u>2.59 %</u>	<u>1.29 %</u>

Under AB 90, enacted on June 29, 2020, the State of California temporarily suspended the farebox recovery requirement effective for the years ended June 30, 2022 and 2021. As described in the Legislative Counsel's Digest for AB 90: "If an operator was allocated funds from a local transportation fund during a fiscal year in which it did not maintain the required ratio of fare revenues to operating cost, existing law requires the operator's eligibility to receive these monies and specified allocations under the State Transit Assistance Program to be reduced during a subsequent penalty year by the amount of the difference between the required fare revenues and the actual fare revenues collected for the fiscal year that the required ratio was not maintained. This bill would prohibit the imposition of this penalty on an operator that does not maintain the required ratio of fare revenues to operating costs starting in fiscal year 2020 and extending through fiscal year 2023.

**NOTE 12: CHANGE IN ACCOUNTING PRINCIPLE**

During the fiscal year ending June 30, 2022, the City implemented Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the Transit Fund's financial statements for the year ended June 30, 2022, but had no effect on beginning net position as the net book value of the right-to-use lease asset equals the amount of the lease liability.



**CITY OF RIO VISTA TRANSIT FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2022 and 2021**

**NOTE 13: 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.



**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, THE TRANSPORTATION DEVELOPMENT ACT, AND OTHER STATE PROGRAM GUIDELINES**

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 (the City), as of and for the year ended June 30, 2022, 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 January 3, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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.

**Report on Compliance and Other Matters (including Other State Programs)**

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 financial statements. Our audit was further made to determine that Transportation Development Act (TDA) funds allocated and received by the City were expended in conformance with the applicable statutes, rules and regulations of the TDA, and Sections 6666 and 6667 of the California Code of Regulations. 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*, the TDA, or other state program guidelines.

**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*, the TDA, and other state program guidelines 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  
January 3, 2023