

CITY OF HOLTVILLE
FINANCIAL STATEMENTS
June 30, 2011

CITY OF HOLTVILLE

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BASIC FINANCIAL STATEMENTS



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Holtville
Holtville, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Holtville, California (City) as of and for the fiscal year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 of the notes to the basic financial statements, the City prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position arising from cash transactions of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Holtville at June 30, 2011 and the results of its operations arising from cash transactions and cash flows arising from cash transactions where applicable thereof, for the fiscal year then ended, on the basis of accounting described in Note 1.

As discussed in Note 1 of the notes to the basic financial statements effective July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59 – *Financial Instruments Omnibus*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2012 on our consideration of the City of Holtville's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Management has omitted the Management's Discussion and Analysis, and the budgetary comparison schedules for the Community Development Block Grant Fund and Home Grant Fund that accounting principles generally accepted in the United States of America requires 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparisons for the General Fund on page 41, Local Transit Authority Fund on page 43, Redevelopment Agency Fund on page 44, and Low/Moderate Income Housing Fund on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor funds financial statements, nonmajor funds budgetary comparison schedules, and combining Internal Service Funds financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining nonmajor fund financial statements, nonmajor funds budgetary comparison schedules, and combining Internal Service Funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Mrs. Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
July 2, 2012

CITY OF HOLTVILLE
STATEMENT OF NET ASSETS
ARISING FROM CASH TRANSACTIONS
June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 2,273,194	\$ 1,801,359	\$ 4,074,553
Cash and investments with fiscal agent	469,039	465,451	934,490
Restricted cash and investments	2,638,241	218,091	2,856,332
Internal balances	352,713	(352,713)	
Deposits receivable	138,304		138,304
Land held for resale	541,979		541,979
Loans receivable	2,835,948		2,835,948
Deferred charges, net of accumulated amortization	262,006		262,006
Total Assets	9,511,424	2,132,188	11,643,612
Liabilities:			
Noncurrent liabilities:			
Due within one year	125,000	279,859	404,859
Due in more than one year	7,007,142	7,767,355	14,774,497
Total Liabilities	7,132,142	8,047,214	15,179,356
Net assets:			
Restricted for:			
Debt service	4,394	465,451	469,845
Low and moderate income housing	825,408		825,408
Other purposes (Note 1.O)	3,381,598		3,381,598
Capital projects	2,638,241		2,638,241
Unrestricted	(4,470,359)	(6,380,477)	(10,850,836)
Total Net Assets (Deficit)	\$ 2,379,282	\$ (5,915,026)	\$ (3,535,744)

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
STATEMENT OF ACTIVITIES
ARISING FROM CASH TRANSACTIONS
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ 861,978	\$ 6,685	\$ 101,091	\$ -
Public safety	1,420,325	20,360	242,892	
Public works	1,571,941	1,900	167,941	1,640,770
Community development	861,908	2,310	33,408	59,067
Interest on long-term debt	354,597			
Total Governmental Activities	5,070,749	31,255	545,332	1,699,837
Business-type Activities:				
Water	1,992,179	1,643,029		576,778
Sewer	1,127,903	1,382,051		
Solid waste	469,776	404,508		
Total Business-type Activities	3,589,858	3,429,588		576,778
Total Primary Government	\$ 8,660,607	\$ 3,460,843	\$ 545,332	\$ 2,276,615

General Revenues and Transfers:

Taxes:

Secured and unsecured property taxes

Utility users tax

Sales and use tax

Franchise tax

Other tax

Motor vehicle in lieu - unrestricted

Use of money and property

Other

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets (Deficit) at Beginning of Fiscal Year

Net Assets (Deficit) at End of Fiscal Year

See accompanying notes to basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Totals
\$ (754,202)	\$ -	\$ (754,202)
(1,157,073)		(1,157,073)
238,670		238,670
(767,123)		(767,123)
(354,597)		(354,597)
<u>(2,794,325)</u>		<u>(2,794,325)</u>
	227,628	227,628
	254,148	254,148
	<u>(65,268)</u>	<u>(65,268)</u>
	416,508	416,508
<u>(2,794,325)</u>	416,508	<u>(2,377,817)</u>
740,306		740,306
503,847		503,847
471,054		471,054
131,904		131,904
16,707		16,707
465,011		465,011
61,732	8,761	70,493
180,228		180,228
80,642	(80,642)	
<u>2,651,431</u>	<u>(71,881)</u>	<u>2,579,550</u>
(142,894)	344,627	201,733
<u>2,522,176</u>	<u>(6,259,653)</u>	<u>(3,737,477)</u>
<u>\$ 2,379,282</u>	<u>\$ (5,915,026)</u>	<u>\$ (3,535,744)</u>

CITY OF HOLTVILLE
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS -
GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Special Revenue Funds	
		Community Development Block Grant	Home Grant
ASSETS			
Cash and investments	\$ 6,065	\$ 307,932	\$ -
Cash and investments with fiscal agent			
Restricted cash and investments			
Deposits receivable	138,304		
Due from other funds	532,173		
Land held for resale		104,085	
Advance to other funds			
Loans receivable		1,218,948	1,271,480
Total assets	<u>\$ 676,542</u>	<u>\$ 1,630,965</u>	<u>\$ 1,271,480</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 158,148	\$ -	\$ 51,803
Deferred revenue		986,139	1,271,480
Total liabilities	<u>158,148</u>	<u>986,139</u>	<u>1,323,283</u>
Fund Balances:			
Restricted		644,826	
Unassigned	518,394		(51,803)
Total fund balances (deficits)	<u>518,394</u>	<u>644,826</u>	<u>(51,803)</u>
Total liabilities and fund balances	<u>\$ 676,542</u>	<u>\$ 1,630,965</u>	<u>\$ 1,271,480</u>

See accompanying notes to basic financial statements

Special Revenue Funds				
Local Transit Authority Fund	Redevelopment Agency Fund	Low/Moderate Income Housing Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,149,154	\$ 205,916	\$ 100,763	\$ 498,002	\$ 2,267,832
			469,039	469,039
	1,627,174	1,011,067		2,638,241
	114,899	464,645	53,527	1,165,244
	437,894			541,979
	191,860			191,860
	85,520	260,000		2,835,948
<u>\$ 1,149,154</u>	<u>\$ 2,663,263</u>	<u>\$ 1,836,475</u>	<u>\$ 1,020,568</u>	<u>\$ 10,248,447</u>
\$ -	\$ -	\$ -	\$ 695,661	\$ 905,612
		260,000		2,517,619
		260,000	695,661	3,423,231
1,149,154	2,663,263	1,576,475	555,923	6,589,641
			(231,016)	235,575
1,149,154	2,663,263	1,576,475	324,907	6,825,216
<u>\$ 1,149,154</u>	<u>\$ 2,663,263</u>	<u>\$ 1,836,475</u>	<u>\$ 1,020,568</u>	<u>\$ 10,248,447</u>

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CITY OF HOLTVILLE

**RECONCILIATION OF THE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS ARISING FROM CASH TRANSACTIONS
June 30, 2011**

Fund balances of governmental funds \$ 6,825,216

Amounts reported for governmental activities in the statement of net assets are different because:

Certain loans receivable are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds.

Deferred revenue, loans receivable 2,517,619

Long-term debt and compensated absences have not been included in the governmental funds.

Long-term debt (7,105,002)

Compensated absences (27,140)

Issuance costs and discount related to long-term liabilities are expenditures in the governmental funds financial statements. However, these costs are capitalized and amortized over the life of the bonds in the government-wide financial statements as deferred charges.

262,006

Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.

(93,417)

Net assets of governmental activities \$ 2,379,282

See accompanying notes to basic financial statements

CITY OF HOLTVILLESTATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID, AND
CHANGES IN FUND BALANCE ARISING FROM CASH TRANSACTIONS -
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2011

	General Fund	Special Revenue Funds	
		Community Development Block Grant	Home Grant
Revenues Collected:			
Taxes	\$ 1,233,152	\$ -	\$ -
Licenses, permits, and impact fees	610		
Fines and penalties	3,875		
Investment earnings	10,042	14,231	3,699
Intergovernmental	709,078		
Charges for current services	26,770		
Other revenues collected	134,594		712
Program income		14,028	22,025
Total revenues collected	<u>2,118,121</u>	<u>28,259</u>	<u>26,436</u>
Expenditures Paid:			
General government	922,203		
Public safety	1,397,930		
Public works	609,796		
Community development		343,055	10,773
Capital outlay	9,295		
Debt service:			
Principal			
Interest			
Total expenditures paid	<u>2,939,224</u>	<u>343,055</u>	<u>10,773</u>
Excess of revenues collected over (under) expenditures paid	<u>(821,103)</u>	<u>(314,796)</u>	<u>15,663</u>
Other Financing Sources (Uses):			
Transfers in	927,314		
Transfers out	<u>(63,743)</u>	<u>(1,013)</u>	<u>(50)</u>
Total other financing sources (uses)	<u>863,571</u>	<u>(1,013)</u>	<u>(50)</u>
Net changes in fund balances	42,468	(315,809)	15,613
Fund balances (deficits), July 1, 2010	<u>475,926</u>	<u>960,635</u>	<u>(67,416)</u>
Fund balances (deficits), June 30, 2011	<u>\$ 518,394</u>	<u>\$ 644,826</u>	<u>\$ (51,803)</u>

See accompanying notes to basic financial statements

Special Revenue Funds				
Local Transit Authority Fund	Redevelopment Agency Fund	Low/Moderate Income Housing Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 504,533	\$ 126,133	\$ 166,766	\$ 2,030,584
				610
				3,875
2,820	18,625	4,158	3,389	56,964
1,227,105	20,000		586,081	2,542,264
				26,770
			750	136,056
				36,053
<u>1,229,925</u>	<u>543,158</u>	<u>130,291</u>	<u>756,986</u>	<u>4,833,176</u>
				922,203
			30,355	1,428,285
227,375			18,072	855,243
	252,044	15,749	79,636	701,257
1,498	164,559		719,966	895,318
			120,000	120,000
			344,647	344,647
<u>228,873</u>	<u>416,603</u>	<u>15,749</u>	<u>1,312,676</u>	<u>5,266,953</u>
<u>1,001,052</u>	<u>126,555</u>	<u>114,542</u>	<u>(555,690)</u>	<u>(433,777)</u>
	30,512		90,634	1,048,460
(280,512)	(461,500)		(161,000)	(967,818)
(280,512)	(430,988)		(70,366)	80,642
720,540	(304,433)	114,542	(626,056)	(353,135)
428,614	2,967,696	1,461,933	950,963	7,178,351
<u>\$ 1,149,154</u>	<u>\$ 2,663,263</u>	<u>\$ 1,576,475</u>	<u>\$ 324,907</u>	<u>\$ 6,825,216</u>

CITY OF HOLTVILLE

**RECONCILIATION OF THE STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES ARISING FROM CASH TRANSACTIONS -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
ARISING FROM CASH TRANSACTIONS**

For the Fiscal Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (353,135)

Amounts reported for governmental activities in the statement of activities differ because:

Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. Likewise, when the note is collected, it is reflected in revenue. This is the net change between notes receivable collected and issued. (31,309)

Additions and amortization of premiums, deferred bond discounts, issue costs, and loss on refunding do not require the use of current available resources, and therefore, are not included in the funds. However, this activity is included in the Statement of Activities. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Assets, the costs are deferred and amortized throughout the period during which the related debt is outstanding.

Discount amortized during the fiscal year (6,595)
Cost of issuance amortized during the fiscal year (3,355)

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net assets.

Repayment of debt principal \$ 120,000
Decrease in trash retention payable 45,322
Decrease in claims payable 64,380 229,702

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 governmental funds. This is the net change in compensated absences for the current period. 21,774

Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. 24

Change in net assets of governmental activities \$ (142,894)

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
PROPRIETARY FUNDS
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
ARISING FROM CASH TRANSACTIONS
June 30, 2011

	Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Solid Waste Fund		
ASSETS					
Current Assets:					
Cash and investments	\$ 787,565	\$ 1,013,794	\$ -	\$ 1,801,359	\$ 5,362
Cash and investments with fiscal agent	320,750	144,701		465,451	
Restricted cash and investments	218,091			218,091	
Due from other funds	125,967			125,967	
Total assets	1,452,373	1,158,495		2,610,868	5,362
LIABILITIES					
Current Liabilities:					
Due to other funds	82,718		204,102	286,820	98,779
Current portion of long-term liabilities	239,859	40,000		279,859	
Total current liabilities	322,577	40,000	204,102	566,679	98,779
Long-Term Liabilities:					
Advance from other funds	191,860			191,860	
Compensated absences	23,099	33,332	525	56,956	
Bonds payable	5,990,399	1,720,000		7,710,399	
Total long-term liabilities	6,205,358	1,753,332	525	7,959,215	
Total liabilities	6,527,935	1,793,332	204,627	8,525,894	98,779
NET ASSETS (DEFICIT)					
Restricted for debt service	320,750	144,701		465,451	
Unrestricted	(5,396,312)	(779,538)	(204,627)	(6,380,477)	(93,417)
Total net assets (deficit)	\$ (5,075,562)	\$ (634,837)	\$ (204,627)	\$ (5,915,026)	\$ (93,417)

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENSES PAID, AND CHANGES IN NET ASSETS
ARISING FROM CASH TRANSACTIONS
For the Fiscal Year Ended June 30, 2011

	Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Solid Waste Fund		
Operating Revenues Collected:					
Charges for services	\$ 1,643,029	\$ 1,382,051	\$ 404,508	\$ 3,429,588	\$ -
Total operating revenues collected	1,643,029	1,382,051	404,508	3,429,588	
Operating Expenses Paid:					
Salaries and wages	317,774	375,299	38,109	731,182	
Payroll expenses	158,846	167,567	15,974	342,387	
Training, safety, and clothing	15,326	13,312		28,638	
Materials, supplies, and services	532,402	418,835	415,693	1,366,930	
Total operating expenses paid	1,024,348	975,013	469,776	2,469,137	
Operating income (loss) arising from cash transactions	618,681	407,038	(65,268)	960,451	
Non-Operating Revenues Collected					
(Expenses Paid):					
Investment earnings	4,499	4,262		8,761	24
Interest expense	(271,954)	(104,100)		(376,054)	
Capital outlay	(695,877)	(48,790)		(744,667)	
Total non-operating revenues collected (expenses paid)	(963,332)	(148,628)		(1,111,960)	24
Income (loss) arising from cash transactions before transfers and capital grants received	(344,651)	258,410	(65,268)	(151,509)	24
Capital grants received	576,778			576,778	
Transfers:					
Transfers in	8,569	14,159	15,884	38,612	
Transfers out		(118,700)	(554)	(119,254)	
Changes in net assets	240,696	153,869	(49,938)	344,627	24
Net assets (deficit), beginning of the fiscal year	(5,316,258)	(788,706)	(154,689)	(6,259,653)	(93,441)
Net assets (deficit), end of the fiscal year	\$ (5,075,562)	\$ (634,837)	\$ (204,627)	\$ (5,915,026)	\$ (93,417)

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
ARISING FROM CASH TRANSACTIONS
For the Fiscal Year Ended June 30, 2011

	Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Solid Waste Fund		
Cash Flows from Operating Activities:					
Receipts from user charges	\$ 1,643,029	\$ 1,382,051	\$ 454,678	\$ 3,479,758	\$ -
Payments to suppliers	(552,642)	(599,714)	(431,667)	(1,584,023)	
Payments for salaries	(314,538)	(370,323)	(38,341)	(723,202)	
Net Cash Provided (Used) by Operating Activities	775,849	412,014	(15,330)	1,172,533	
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(695,877)	(48,790)		(744,667)	
Capital grants received	576,778			576,778	
Proceeds from USDA	803,000			803,000	
Principal paid	(826,601)	(35,000)		(861,601)	
Interest paid	(271,954)	(104,100)		(376,054)	
Net Cash Provided (Used) for Capital and Related Financing Activities	(414,654)	(187,890)		(602,544)	
Cash Flows from Non-Capital Financing Activities:					
Advances paid	(22,000)			(22,000)	
Transfers received	8,569	14,159		22,728	
Transfers paid		(118,700)	15,330	(103,370)	
Net Cash Provided (Used) from Non-Capital Financing Activities	(13,431)	(104,541)	15,330	(102,642)	
Cash Flows from Investing Activities:					
Interest received	4,499	4,262		8,761	24
Increase (decrease) in cash and cash equivalents	352,263	123,845		476,108	24
Cash and cash equivalents, beginning of fiscal year	974,143	1,034,650		2,008,793	5,338
Cash and cash equivalents, end of fiscal year	\$ 1,326,406	\$ 1,158,495	\$ -	\$ 2,484,901	\$ 5,362
Reconciliation to Statement of Net Assets:					
Cash and investments	\$ 787,565	\$ 1,013,794	\$ -	\$ 1,801,359	\$ 5,362
Cash and investments with fiscal agents	320,750	144,701		465,451	
Restricted cash and investments	218,091			218,091	
Total cash and cash equivalents, end of fiscal year	\$ 1,326,406	\$ 1,158,495	\$ -	\$ 2,484,901	\$ 5,362

(Continued)

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
ARISING FROM CASH TRANSACTIONS
For the Fiscal Year Ended June 30, 2011

(Continued)

	Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Solid Waste Fund		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 618,681	\$ 407,038	\$ (65,268)	\$ 960,451	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in operating assets and liabilities:					
(Increase) decrease in due from other funds	153,932			153,932	
Increase (decrease) in due to other funds			50,170	50,170	
Increase (decrease) in compensated absences	3,236	4,976	(232)	7,980	
Net Cash Provided (Used) by Operating Activities	\$ 775,849	\$ 412,014	\$ (15,330)	\$ 1,172,533	\$ -

See accompanying notes to basic financial statements

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The City of Holtville is a municipal corporation, operating as a general law city, and governed by a city council of five members. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Holtville (the primary government) and its component unit. The component units discussed in Note 1-B are included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

As required by accounting principles generally accepted in the United States of America, these basic financial statements present financial information for the City of Holtville (the primary government) and its component units. Blended component units, although legally separate entity, are in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize their legal separateness from the City. Each blended component unit has a fiscal year end of June 30. The blended component units are included in the City's reporting entity because of the significance of their operational and financial relationship with the City. There are no entities which meet the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, criteria for discrete disclosure within these basic financial statements.

B. Individual Component Units Disclosures

Blended Component Units. The Redevelopment Agency (Agency) and the Financing Authority (Authority) of the City of Holtville are governed by the City Council of the City of Holtville. Although they are legally separate from the City, the Agency and Authority are reported as if they were part of the primary government because the City Council is the governing board, and is able to impose its will on the Agency and the Authority.

Separate Redevelopment Agency financial statements may be obtained by writing to: City Manager, City of Holtville, 121 West Fifth Street, Holtville, CA 92250, or by phone: (760) 356-2912.

C. Financial Statement Presentation

Government-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall City government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's 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 grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on individual funds, each of which is displayed in a separate column.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues Collected, Expenditures Paid, and Changes in Fund Balances Arising from Cash Transactions for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Presentation (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary fund financial statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues Collected, Expenses Paid, and Changes in Net Assets, and a Statement of Cash Flows Arising from Cash Transactions for all proprietary funds.

Columns representing internal service funds are also presented in these statements. However, internal service fund balances and activities have been combined with the governmental activities in the government-wide financial statements.

D. Accounting Policies

The City of Holtville records transactions, and accordingly, these financial statements were prepared, using the modified cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The following are some of the ways that the modified cash basis of accounting differs from accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require all governmental funds to use the modified accrual basis of accounting. Revenues should be recognized when they become measurable and available as net current assets. The City of Holtville, however, recognizes revenue when it is received by the City.

Taxpayer-assessed income, gross receipts, and sales taxes are recognized when the revenue is received by the City. Refunds of such taxes are recognized when they are paid. Under accounting principles generally accepted in the United States of America, these taxes are considered "measurable" when in the hands of intermediary collecting governments and should be recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Accounting Policies (Continued)

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is that principal and interest on long-term debt is recognized when due. The modified cash basis of accounting recognizes all expenditures when they are paid.

Accounting principles generally accepted in the United States of America require all proprietary funds and government-wide reporting to use the accrual basis of accounting. Revenues should be recognized when they are earned, and their expenses should be recognized when they are incurred. The modified cash basis of accounting recognizes revenues when received and expenses when paid.

The purchase of capital items in the proprietary funds should be recorded as capital assets and depreciated under accounting principles generally accepted in the United States of America; however, the City records these items as expenses when they are paid.

The purchase of capital assets should be capitalized and depreciated in the Statement of Net Assets and Statement of Activities under GASB Statement No. 34, however, under the modified cash basis of accounting, the City records these items as expenditures when paid.

E. Fund Accounting

Governmental Accounting Standards Board (GASB) Statement No. 34 defines major funds and requires that the City's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to or greater than ten percent of their fund-type total and five percent of the grand total of all funds.

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

The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Community Development Block Grant (CDBG) Special Revenue Fund** is used to account for the activity in the City's CDBG revolving loan programs.

The **Home Grant Special Revenue Fund** is used to account for the activity in the City's HOME revolving loan programs.

The **Local Transit Authority Special Revenue Fund** is used to account for transportation projects funded through the Measure D funding. Measure D is Imperial County's local ½ cent sales tax transportation Measure. 95% of the funds from Measure D go directly to the cities and the County to pay for critical road repair projects. The other 5% is set aside for regional projects.

The **Redevelopment Agency Special Revenue Fund** is used to record project development activities undertaken by the Holtville Redevelopment Agency.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

The **Low/Moderate Income Housing Special Revenue Fund** has been set up to account for the 20% set-aside of tax increment to be used for low and moderate income housing.

The City reported the following major proprietary funds:

The **Water Fund** is used to account for the operation and maintenance of the City's water treatment and distribution system. Revenues are primarily user charges. Rates are set periodically by the City Council.

The **Sewer Fund** is used to account for the operation and maintenance of the City's wastewater treatment plant and collection facilities.

The **Solid Waste Fund** is used to account for residential and commercial garbage collection and disposal.

Additionally, the City reported the following fund type:

The **Internal Service Funds** are used to account for the financing of goods or services provided by one department or agency for other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

F. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accounting principles generally accepted in the United States of America require all governmental funds to use the modified accrual basis of accounting and all proprietary fund types to use the accrual basis of accounting. The City of Holtville uses the modified cash basis of accounting for all fund types.

The modified cash basis of accounting recognizes all monies received as revenues at the time of receipt and all amounts paid as expenditures at the time of payment with the exception of the following:

1. Long-term notes and loans receivable are set up as assets and deferred revenue and note/loan payments received by the City are recorded as reductions of the asset and liability and program income when received.
2. Long term payables are set up as liabilities in the proprietary funds. Principal payments are recorded as reductions of the liabilities when made.

In accordance with GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has opted to apply to the proprietary fund all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting

The City is required by its municipal code to adopt an annual budget on or before June 30, which is the end of its fiscal year, for the ensuing fiscal year. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during each fiscal year. The City Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended.

Budgeted revenue and expenditure amounts shown represent the City's originally-adopted budget adjusted for supplemental revenues and appropriations during the course of the fiscal year. Budget amounts, as adjusted, reported for the governmental funds of the City are adopted on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Budgets were not adopted for the Community Development Block Grant Fund, Home Grant Fund, Bikepath Fund, Park Grant Fund, Land Management Fund, Equipment Replacement Fund, Historical Fund, State Cops Grant Fund, CDF Grant Fund, Homeland Security Fund, FEMA Fund, Façade Improvement Program Fund, Prop 42 Transportation Fund, CDBG Grant Sewer Study Fund, Business Assistance Loan Fund, BECC Grant Fund, CA Energy Commission Fund, ARRA Fund, or FEMA Water Tank Fund.

H. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the City.

I. Investments

Investments are stated at fair value. The City has adopted an investment policy which provides a means for investing the public funds held by the City.

J. Capital Assets

Capital assets in the proprietary funds are expensed when paid. This practice is contrary to accounting principles generally accepted in the United States of America.

The City does not maintain a complete accounting of capital assets. This practice is contrary to accounting principles generally accepted in the United States of America.

K. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated Absences

Cash compensation for accrued vacation is generally not payable until the employee terminates employment with the City. Sick leave is only payable to management employees with ten years of service with the City. Cash compensation for unused sick leave is payable to a management employee only upon termination of employment with the City and the employee is compensated 25% of their accrued sick leave.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures/expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

N. Use of Estimates

The preparation of financial statements in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. Net Assets and Fund Balance

In the Government-wide financial statements and proprietary fund financial statements, net assets are reported in three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

At June 30, 2011, the City had recorded restricted net assets in the Governmental Activities and Business-type Activities as follows:

	Governmental Activities	Business-type Activities
Restricted for:		
Debt service	\$ 4,394	\$ 465,451
Low/moderate income housing programs	825,408	
Community development	644,826	
Transportation	1,312,702	
Redevelopment	1,036,089	
Streets and roads	313,131	
Emergencies	73,614	
Façade improvement program	1,236	
Capital projects	2,638,241	
Total Restricted	<u>\$ 6,849,641</u>	<u>\$ 465,451</u>

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Assets and Fund Balance (Continued)

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

CITY OF HOLTVILLE
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Assets and Fund Balance (Continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2011 are as follows:

Fund Balances	General Fund	Community Development Block Grant Special Revenue Fund	Home Grant Special Revenue Fund	Local Transit Authority Special Revenue Fund	Redevelopment Agency Special Revenue Fund	Low/Moderate Income Housing Special Revenue Fund	Nonmajor Governmental Funds	Total
Restricted for:								
Community Development	\$ -	\$ 644,826	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 644,826
Transportation				1,149,154			163,548	1,312,702
Redevelopment					1,036,089			1,036,089
Low/Moderate Income Housing						565,408		565,408
Streets and Roads							313,131	313,131
Emergencies							73,614	73,614
Façade Improvement Program							1,236	1,236
Debt Service							4,394	4,394
Capital Projects					1,627,174	1,011,067		2,638,241
<i>Total Restricted</i>		644,826		1,149,154	2,663,263	1,576,475	555,923	6,589,641
Unassigned	518,394		(51,803)				(231,016)	235,575
<i>Total Fund Balances</i>	\$ 518,394	\$ 644,826	\$ (51,803)	\$ 1,149,154	\$ 2,663,263	\$ 1,576,475	\$ 324,907	\$ 6,825,216

P. New Accounting Pronouncements

The City has implemented the requirements of GASB Statements No. 54, and No. 59 during the fiscal year ended June 30, 2011.

GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions

For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Note 1.O of these notes to basic financial statements.

GASB Statement No. 59 – Financial Instruments Omnibus

For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 59, “Financial Instruments Omnibus”. This Statement establishes standards to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets.

The governmental funds balance sheet includes a reconciliation between fund balance of total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets.

One element of the reconciliation explains that “long-term liabilities” are not due and payable in the current period and, therefore, are not reported in the funds. The details of this difference are as follows:

<u>Long-Term Debt Obligations</u>	
2007 Tax Allocation Bonds	\$ 6,630,000
Claims Payable	<u>475,002</u>
	<u>\$ 7,105,002</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances and Retained Earnings

Deficit retained earnings of \$5,075,562, \$634,837, \$204,627, and \$98,779 exist in the Water Fund, Sewer Fund, Solid Waste Fund, and the Employee Health Fund, respectively. These deficits are due to the City not capitalizing capital outlay expenses in the Enterprise Funds and the City not continuing to fund the Employee Health Fund by charging the benefitting funds. There are also deficit fund balances of \$51,803, \$27,989, \$5,567, \$832, \$51, \$4,501, \$37,263, \$800, \$88,581, \$9,055, \$2,850, and \$53,527 in the Home Grant Special Revenue Fund, Park Grant Special Revenue Fund, Land Management Special Revenue Fund, Equipment Replacement Special Revenue Fund, Homeland Security Special Revenue Fund, Prop 1B Street Special Revenue Fund, CDBG Grant Sewer Study Special Revenue Fund, Business Assistance Loan Special Revenue Fund, BECC Grant Special Revenue Fund, CA Energy Commission Special Revenue Fund, ARRA Capital Projects Fund, and FEMA Water Tank Capital Projects Fund. The deficits are due to the City paying expenditures in advance of receiving revenues. The majority of these deficits are going to be repaid once reimbursements are received from the grantor, and if there are any outstanding deficits after the repayments, the General Fund will most likely cover these deficits when the fund is closed out.

Excess of Expenditures over Appropriations

Excess of expenditures over appropriations in departments/cost centers of individual funds are as follows:

<u>FUND</u>	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	<u>EXCESS</u>
Major Funds:			
General:			
General government	\$ 906,112	\$ 922,203	\$ 16,091
Capital outlay	2,000	9,295	7,295
Local Transit Authority Fund:			
Public works		227,375	227,375
Redevelopment Agency Fund:			
Community development	215,015	252,044	37,029
Capital outlay		164,559	164,559
Nonmajor Funds:			
Prop 1B Street Special Revenue Fund:			
Capital outlay	43,909	379,874	335,965
Redevelopment Agency Debt Service Fund:			
Community development		25	25

NOTE 4 - CASH AND INVESTMENTS

Cash and investments are reported as follows in the Statement of Net Assets Arising from Cash Transactions:

Cash and investments	\$ 4,074,553
Cash and investments with fiscal agents	934,490
Restricted cash and investments	<u>2,856,332</u>
Total	<u><u>\$ 7,865,375</u></u>

Cash and investments held by the City at June 30, 2011 consisted of the following:

Cash on hand	\$ 100
Cash deposits	2,005,381
Investments	<u>5,859,894</u>
Total	<u><u>\$ 7,865,375</u></u>

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee 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 Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (State Pool)	N/A	None	\$50 million
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	None	None
Insured Deposits with Banks and Savings and Loans	N/A	None	15%
Repurchase Agreements	90 days	None	15%
Bankers Acceptance (must be dollar denominated)	9 months	40%	15%
Commercial Paper	6 months	15%	15%
Negotiable Time Certificates of Deposit	5 years	25%	15%
Medium Term Corporate Notes	5 years	30%	10%
Time deposits	N/A	25%	15%

NOTE 4 - CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Local Agency Investment Fund (State Pool)	N/A	None	\$50 million
Banker's Acceptances	270 days	40%	15%
Commercial Paper	180 days	15%	15%
Guaranteed Investment Contracts	N/A	None	None
Money Market Accounts	N/A	None	None

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 manages its exposure to interest rate risk 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 flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>				
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>	<u>More Than 48 Months</u>
State Investment Pool	\$ 4,707,313	\$ 4,707,313	\$ -	\$ -	\$ -	\$ -
Certificate of Deposit	218,091	218,091				
Held by Bond trustees:						
Money Market Funds	934,490	934,490				
	<u>\$ 5,859,894</u>	<u>\$ 5,859,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments (including investments held by bond trustees) do not include any investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

NOTE 4 - CASH AND INVESTMENTS (CONTINUED)

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 City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$4,707,313	N/A	\$ -	\$ -	\$ -	\$ -	\$4,707,313
Certificate of Deposit	218,091	N/A					218,091
Held by bond trustees:							
Money Market Funds	934,490	N/A		934,490			
Total	<u>\$5,859,894</u>		<u>\$ -</u>	<u>\$ 934,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,925,404</u>

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. There was no investment in any one issuer (other than money market funds and external investment pools) that represents 5% or more of total City investments.

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 governmental unit). The fair 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2011, \$2,523,429 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

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 LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 5 - INVESTMENT – LAND HELD FOR RESALE

The City of Holtville and Holtville Redevelopment Agency have acquired several parcels of land as part of their primary purpose to develop or redevelop blighted properties. One property was acquired through the foreclosure process as the result of non-payment on a note receivable held by the City. The City records these parcels as “land held for resale” in its financial records. The property is being carried at its net realizable value which is estimated to be equal to cost. At June 30, 2011, the net realizable value for land held for resale totaled \$541,979.

NOTE 6 - LOANS AND NOTES RECEIVABLE

Program loans receivable represent Housing Rehabilitation and Business Program loans, which were assigned to the City. The loans are secured by deeds of trust, which attach to the property until title to the property is transferred. Most of these loans are deferred, but there are a few that require monthly payments. Interest rates vary from 0% to 4%. Total program loans receivable outstanding at June 30, 2011 is \$2,453,592, and the fund financial statements reflect deferred revenue of \$2,257,619 to offset the deferred portion of these loans receivable.

The City loaned Business Program loans to various business owners within the City. As of June 30, 2011, there is only one Business Program loan still outstanding. This loan is secured by a deed of trust. The terms of the loan call for monthly payments with an interest rate of 6%. The outstanding balance as of June 30, 2011 is \$36,836.

On May 9, 2005, the Agency loaned Holtville Gardens, L.P. \$200,000 to aid in the development and construction of an 81-unit apartment complex located at 950 Holt Avenue in the City of Holtville. The terms of the loan call for Holtville Gardens to make annual payments in the amount of 50% of the “Distributable Cash Flow” from the project within ninety (90) days following the end of each calendar year, with respect to the preceding year. The entire amount of the outstanding principal, with the accrued interest at 5%, shall be due and payable in full thirty (30) years from May 9, 2005. The fund financial statements reflect deferred revenue in the amount of \$260,000 to offset this note receivable, which includes interest.

On June 1, 2005, the Agency loaned the 99 Cent Plus Center \$120,000. The terms of the loan call for the 99 Cent Plus Center to make monthly payments of \$1,013 for 15 years, with an interest rate of 6%. The outstanding balance as of June 30, 2011 was \$85,520.

NOTE 7 - PROPERTY TAXES

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

Property Valuations - are established by the Assessor of the County of Imperial for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. 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 Levies - are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

NOTE 7 - PROPERTY TAXES (CONTINUED)

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 on 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.

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 on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 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 taxes become 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 payments.

Tax Levy Apportionments - Due to the nature of the City-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under state legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees - The State of California FY 90-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded net of administrative fees withheld during the fiscal year.

NOTE 8 - DEFERRED CHARGES

The Redevelopment Agency recorded bond issuance costs and a discount from the issuance of its 2007 Tax Allocation Bonds in the amount of \$100,646 and \$197,842 respectively. The amortization period is 360 months, and accumulated amortization as of June 30, 2011 was \$36,482.

NOTE 9 - LONG-TERM DEBT

A. Governmental Activities

2007 Tax Allocation Bonds

On October 31, 2007, the Redevelopment Agency issued Holtville Redevelopment Project Tax Allocation Bonds, Series 2007, in an amount of \$6,990,000.

The bonds were issued to (a) refund the 1993 Tax Allocation Bonds, (b) fund a reserve fund, and (c) pay certain costs in connection therewith.

The Bonds mature annually each November 1 from 2008 to 2037, in amounts ranging from \$125,000 to \$445,000 and bear interest at rates ranging from 4.00% to 5.40%. Interest is payable semi-annually on May 1 and November 1.

The Bonds maturing November 1, 2018 and thereafter are subject to redemption prior to their stated maturity, at the option of the Agency, as a whole or in part on any date, from any source of available funds on or after November 1, 2017 at the principal amount thereof plus accrued interest to the redemption date, without premium.

NOTE 9 – LONG-TERM DEBT (CONTINUED)

The Bonds maturing on November 1, 2027 and November 1, 2037 are subject to mandatory redemption by lot prior to maturity from mandatory sinking account installments on each November 1 at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium. In lieu of mandatory sinking account redemption, the Indenture permits the purchase of Term Bonds on the open market. The par amount of Term Bonds so purchased by the Agency and surrendered to the Trustee for cancellation in any 12-month period ending thirty (30) days prior to any November 1 in any year shall be credited toward and shall reduce the principal amount of Bonds required to be redeemed on the following November 1.

A. Governmental Activities

The annual debt service requirements to maturity at June 30, 2011, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 125,000	\$ 339,748	\$ 464,748
2013	130,000	334,485	464,485
2014	135,000	328,854	463,854
2015	140,000	322,923	462,923
2016	145,000	316,634	461,634
2017-2021	840,000	1,472,744	2,312,744
2022-2026	1,070,000	1,236,126	2,306,126
2027-2031	1,380,000	912,895	2,292,895
2032-2036	1,800,000	487,350	2,287,350
2037-2038	865,000	47,385	912,385
	<u>\$ 6,630,000</u>	<u>\$ 5,799,144</u>	<u>\$ 12,429,144</u>

B. Business-type Activities

1999 Water Revenue Refunding Bonds

On February 1, 1999, the Holtville Financing Authority issued \$4,380,000 of 1999 Revenue Refunding Bonds for the purpose of enabling the Authority to defease the 1991 Revenue Bonds, to fund a reserve account for the bonds, and to pay bond issuance costs.

The bonds are payable from revenues consisting primarily of installment payments, which amounts are designed to be sufficient in both time and amount to pay, when due, the principal and interest payable with respect to the bonds. In the Installment Sale Agreement, the City covenants to fix, prescribe, revise, and collect rates, fees, and charges for the service and facilities furnished by the Water Enterprise during each fiscal year, which are at least sufficient to pay for all operation and maintenance costs of the Water Enterprise, the installment payments, and amounts required to restore the balance in the bond reserve account to its reserve requirement.

The 1999 Water Refunding Bonds are serviced by a lien on the gross revenues from water service charges and are not subject to the limit on bonded debt.

The refunding bond issue matures from December 1, 2002 to December 1, 2021 with interest rates from 3.75% to 5.00%. The future debt service requirements on the 1999 series Water Revenue Refunding Bonds are:

NOTE 9 – LONG-TERM DEBT (CONTINUED)

B. Business-type Activities (Continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 185,000	\$ 127,375	\$ 312,375
2013	195,000	117,875	312,875
2014	205,000	107,875	312,875
2015	215,000	97,375	312,375
2016	225,000	86,375	311,375
2017-2021	1,310,000	245,750	1,555,750
2022	305,000	7,625	312,625
	<u>\$ 2,640,000</u>	<u>\$ 790,250</u>	<u>\$ 3,430,250</u>

2003 Sewer Revenue Bonds

On October 15, 2003, the Holtville Public Financing Authority issued \$2,000,000 of 2003 Sewer Revenue Bonds for the purpose of financing the construction of sewer facilities, fund a reserve account, and pay the costs of issuance.

The bonds are payable from revenues consisting primarily of installment payments, which amounts are designed to be sufficient in both time and amount to pay, when due, the principal and interest payable with respect to the bonds. In the Installment Sale Agreement, the City covenants to fix, prescribe, revise, and collect rates, fees, and charges for the service and facilities furnished by the Sewer Enterprise during each fiscal year, which are at least sufficient to pay for all operation and maintenance costs of the Sewer Enterprise, the installment payments, and amounts required to restore the balance in the bond reserve account to its reserve requirement.

The 2003 Sewer Revenue Bonds are serviced by a lien on the gross revenues from sewer service charges and are not subject to the limit on bonded debt.

The bond issue matures each October 1 beginning in 2004 with final maturity in the year 2033. Interest rates vary between 1.75% and 6.0%. Future minimum debt service payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 40,000	\$ 102,225	\$ 142,225
2013	40,000	100,225	140,225
2014	45,000	98,100	143,100
2015	45,000	95,851	140,851
2016	45,000	93,404	138,404
2017-2021	285,000	420,604	705,604
2022-2026	375,000	324,343	699,343
2027-2031	505,000	193,350	698,350
2032-2034	380,000	35,100	415,100
	<u>\$ 1,760,000</u>	<u>\$ 1,463,202</u>	<u>\$ 3,223,202</u>

NOTE 9 – LONG-TERM DEBT (CONTINUED)

B. Business-type Activities (Continued)

2009A and 2009B Water Revenue Bonds (USDA) (Continued)

On July 1, 2009, the Holtville Public Financing Authority issued Water Revenue Bonds (USDA), Series A, in the amount of \$3,401,000 and Water Revenue Bonds (USDA), Series B, in the amount of \$833,000.

The bonds are payable from monies to be derived from installment payments, to be made by the City from net revenues of the water system, which amounts are designed to be sufficient in both time and amount to pay, when due, the principal and interest payable with respect to the bonds. In the Installment Sale Agreement, the City covenants to fix, prescribe, revise, and collect rates, fees, and charges for the service and facilities furnished by the Water Enterprise during each fiscal year, which are at least sufficient to pay for all operation and maintenance costs of the Water Enterprise and the installment payments.

The 2009A and 2009B Water Revenue Bonds are serviced by a lien on the gross revenues from water service charges and are not subject to the limit on bonded debt.

The 2009A bond issue matures each July 1 beginning in 2010 with final maturity in the fiscal year 2049. The interest rate is 4.25%. Future minimum debt service payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 35,000	\$ 142,936	\$ 177,936
2013	37,000	141,205	178,205
2014	38,000	139,223	177,223
2015	40,000	137,565	177,565
2016	41,000	135,844	176,844
2017-2021	235,000	651,458	886,458
2022-2026	290,000	595,442	885,442
2027-2031	357,000	526,910	883,910
2032-2036	440,000	442,436	882,436
2037-2041	543,000	338,481	881,481
2042-2046	668,000	209,941	877,941
2047-2050	643,000	56,005	699,005
	<u>\$ 3,367,000</u>	<u>\$ 3,517,446</u>	<u>\$ 6,884,446</u>

NOTE 9 – LONG-TERM DEBT (CONTINUED)

B. Business-type Activities (Continued)

2009A and 2009B Water Revenue Bonds (USDA) (Continued)

The 2009B bond issue matures each July 1 beginning in 2010 with final maturity in the fiscal year 2026. The interest rate is 2.625%. Future minimum debt service payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 12,000	\$ 7,344	\$ 19,344
2013	12,000	5,195	17,195
2014	13,000	4,852	17,852
2015	13,000	4,511	17,511
2016	13,000	4,170	17,170
2017-2021	72,000	15,366	87,366
2022-2026	80,399	5,212	85,611
	<u>\$ 215,399</u>	<u>\$ 46,650</u>	<u>\$ 262,049</u>

C. The following is a summary of Long-Term Debt activity for the fiscal year ended June 30, 2011:

Governmental activities	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due in one year
Compensated absences	\$ 48,914	\$ -	\$ 21,774	\$ 27,140	\$ -
Trash retention payable	45,322		45,322		
Claims payable	539,382		64,380	475,002	
2007 Tax allocation bonds	6,750,000		120,000	6,630,000	125,000
	<u>\$ 7,383,618</u>	<u>\$ -</u>	<u>\$ 251,476</u>	<u>\$ 7,132,142</u>	<u>\$ 125,000</u>
Business-type activities					
Compensated absences	\$ 56,835	\$ 7,980	\$ -	\$ 64,815	\$ 7,859
1999 Water Revenue Refunding Bonds	2,815,000		175,000	2,640,000	185,000
2003 Sewer Revenue Bonds	1,795,000		35,000	1,760,000	40,000
2009A Water Revenue Bonds	3,401,000		34,000	3,367,000	35,000
2009B Water Revenue Bonds	833,000		617,601	215,399	12,000
	<u>\$ 8,900,835</u>	<u>\$ 7,980</u>	<u>\$ 861,601</u>	<u>\$ 8,047,214</u>	<u>\$ 279,859</u>

CITY OF HOLTVILLE
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE 10 – INTERFUND

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. Normally, these balances occur as a result of expenditures/ expenses being paid prior to receiving revenue which causes a deficit in pooled cash.

As of June 30, 2011, the Redevelopment Special Revenue Fund had advanced the City’s Water Fund \$191,860, at a 0% interest rate, with the amount to be repaid from surplus funds on hand in the City’s Water Fund, which are available after paying debt service on existing obligations secured by revenues of the water system and maintenance and operation expenses of the water system. The Redevelopment Special Revenue Fund provided the advance to the Water Fund for the purpose of funding a reserve account, in relation to the United States Department of Agriculture loan payable incurred by the Water Fund.

The composition of interfund balances, as of June 30, 2011, is as follows:

A. Advances to/from other funds

	<u>Advance Receivable</u>	<u>Advance Payable</u>
Governmental Fund:		
Major Fund:		
Redevelopment Agency	\$ 191,860	\$ -
Proprietary Fund:		
Major Fund:		
Water		<u>191,860</u>
	<u>\$ 191,860</u>	<u>\$ 191,860</u>

CITY OF HOLTVILLE
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE 10 – INTERFUND (CONTINUED)

The composition of interfund balances, as of June 30, 2011, is as follows (Continued):

B. Due to/from other funds

Receivables and payables between funds are classified as due from or due to other funds. Due from and due to other funds are usually a result of a shortfall of pooled cash within the respective fund.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
Major Funds:		
General	\$ 532,173	\$ 158,148
Home Grant		51,803
Redevelopment Agency	114,899	
Low/Moderate Income Housing	464,645	
Nonmajor Funds:		
Special Revenue Funds:		
Park Grant		27,989
Land Management		5,567
Equipment Replacement		832
Homeland Security		51
FEMA	53,527	
Prop 1B Street		4,501
CDBG Grant Sewer Study		37,263
Business Assistance Loan		800
BECC Grant		88,581
CA Energy Commission		9,055
ARRA		2,850
FEMA Water Tank		53,527
Redevelopment Debt Service		464,645
Proprietary Funds:		
Major Funds:		
Water	125,967	82,718
Solid Waste		204,102
Internal Service:		
Employee Health		98,779
	<u>\$ 1,291,211</u>	<u>\$ 1,291,211</u>

C. Interfund transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, reimbursement of various City operations and re-allocations of special revenues.

CITY OF HOLTVILLE
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE 10 - INTERFUND (CONTINUED)

The composition of interfund balances, as of June 30, 2011, is as follows (Continued):

Transfers for the fiscal year ended June 30, 2011 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major Funds:		
General	\$ 927,314	\$ 63,743
Community Development Block Grant		1,013
Home Grant		50
Local Transit Authority		280,512
Redevelopment Agency	30,512	461,500
Nonmajor Funds:		
Special Revenue Funds:		
Gas Tax		161,000
Historical	90,634	
Proprietary Funds:		
Major Funds:		
Water	8,569	
Sewer	14,159	118,700
Solid Waste	15,884	554
	<u>\$ 1,087,072</u>	<u>\$ 1,087,072</u>

NOTE 11 - SELF-FUNDED INSURANCE COVERAGE

The City provides for workers' compensation and liability insurance through a self-funded joint powers agency, Public Entity Risk Management Authority (PERMA), formerly Coachella Valley Joint Powers Insurance Authority. The PERMA accounts are separately maintained for each participant. The City's share of retained earnings of the liability fund is \$0 and \$0 for the workers' compensation fund.

Summary financial information for the funds of the PERMA for the fiscal year ended June 30, 2011 is as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Liability</u>
Total assets	\$ 16,414,591	\$ 19,220,797
Total liabilities	14,601,095	3,572,569
Retained earnings	1,813,496	15,648,228
Total revenues	2,241,564	6,114,638
Total expenditures	2,414,993	3,963,638
Net increase (decrease) in retained earnings	(173,429)	2,151,000

Claims, expenditures, and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Those losses do include an estimate of claims that have been incurred but not reported. At June 30, 2011, the amount of these liabilities was \$175,002, which did not include \$300,000 of anticipated payment as the result of a lawsuit against the Holtville Redevelopment Agency (including attorney fees). This liability is the City's best estimate based on available information.

NOTE 11 - SELF-FUNDED INSURANCE COVERAGE (CONTINUED)

The separate financial statements of PERMA may be obtained by writing: PERMA, 77-670 Springfield Lane, Suite 1A, Palm Desert, CA, 92211, or phone (760) 360-3264.

NOTE 12 - DEFERRED COMPENSATION PLAN

The City of Holtville has a deferred compensation plan for its employees in accordance with Internal Revenue Code Section 457. Plan participation is available to substantially all employees and includes that portion of an employee's regular compensation designated by the employee for deferral up to a maximum of \$7,500 or one-third of a participant's annual compensation, whichever is lesser. The compensation which is deferred is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 13 - PENSION TRUST FUND - RETIREMENT PLAN

The City converted its Money Purchase Plan to a Profit Sharing Plan. The Plan is a "salary reduction plan" under Section 401(k) of the Internal Revenue Code.

The plan provides for mandatory employee contributions of 3 percent of compensation. The City's contributions are 10 percent of covered compensation. Employees are fully vested at 7 years of service.

NOTE 14 - CONTINGENCIES AND COMMITMENTS

The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

The City is involved in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates the potential claims against the City, not covered by insurance, will be \$300,000, and this amount is included in the claims payable liability.

Proposition 218, which was approved by the voters in November 1996, will regulate the City's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by voters. Therefore, the City's ability to finance the services for which the taxes, assessments, and fees were imposed may be significantly impaired. At this time, it is uncertain how Proposition 218 will affect the City's ability to maintain or increase the revenue from taxes, assessments, and fees.

SERAF Contingency. During the fiscal year 2008-2009, the State of California experienced a severe budgetary crisis. Various "budget trailer bills" were passed by the state legislature to balance the state's budget, including bills that required California redevelopment agencies to transfer funds to the Educational Revenue Augmentation Fund (ERAF) and Supplemental Educational Revenue Augmentation Fund (SERAF) administered by the various county auditor-controllers. Noted below is a general explanation of the SERAF legislation, together with the effect of this legislation on the Holtville Redevelopment Agency.

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make SERAF contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portions of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the (CRA) filed a class action lawsuit on behalf of all California redevelopment agencies challenging the SERAF obligations as unconstitutional.

NOTE 14 - CONTINGENCIES AND COMMITMENTS (CONTINUED)

The City's SERAF contribution was \$52,503 for 2010-2011, which was made by the City during the fiscal year 2010-11.

Recent Changes in Legislation Affecting California Redevelopment Agencies. The Redevelopment Agency operates pursuant to the provisions of California Redevelopment Law (Health & Safety Code Section 33000 et seq.). On June 28, 2011, the California Legislature adopted Assembly Bill XI 26 (Dissolution Act) and Assembly Bill XI 27 (Continuation Act). The express purpose of the Dissolution Act was to provide for the elimination of redevelopment agencies, and to direct the orderly distribution of a former redevelopment agency's assets and liabilities. The purpose of Continuation Act was to provide a voluntary alternative for local governments to continue redevelopment activities. Taken together, these Acts require the Agency and its sponsoring community (the City) to take several legislative actions to implement their various provisions.

On January 20, 2011, a Settlement Agreement and Stipulation for Entry of Administrative Civil Liability Order (Order) was entered into by and between the Regional Water Quality Control Board (Board) and the City of Holtville (City). The Order was for a total amount of \$79,828, which included \$63,000 in mandatory minimum penalties, \$10,828 in discretionary civil liabilities, and staff costs of \$6,000. The City paid \$16,828 in April 2011 and will have the \$63,000 suspended pending completion of the Compliance Project by August 17, 2014.

NOTE 15 – SUBSEQUENT EVENTS

On December 29, 2011, the California Supreme Court rendered an opinion upholding the State of California's rights to abolish redevelopment agencies (Assembly Bill 1X 26). The California Supreme Court also rendered an opinion invalidating the State of California's allowance of redevelopment agencies to make payments to various funds benefitting schools and special districts as a condition of continued operation (Assembly Bill 1X 27).

On February 13, 2012, the City elected to become the successor agency for the former Holtville Redevelopment Agency. The Agency has been dissolved as of January 31, 2012.

During the fiscal year ended June 30, 2012, the Water fund began repaying the successor agency \$22,000 per year on the \$191,860 advance from the former Holtville Redevelopment Agency (successor agency).

Subsequent events were evaluated through July 2, 2012, which is the date the financial statements were available to be issued.

NOTE 16 – FINANCIAL CONDITION

The City's governmental activities unrestricted net assets has a deficit of \$4,470,359 at June 30, 2011. The City's business-type activities net assets has a deficit of \$5,915,026 at June 30, 2011, which includes deficit net assets of \$5,075,562 in the Water fund, \$634,837 in the Sewer fund, and \$204,627 in the Solid Waste fund. As of June 30, 2011, the City's general fund had temporarily loaned \$532,173 to other funds that had negative cash balances as of June 30, 2011. Continued deficits and negative cash balances can result in a going concern and compliance issues with debt covenants. Additionally, future capital improvements and operations could be affected if continued deficits occur.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HOLTVILLE**SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES
IN FUND BALANCE ARISING FROM CASH TRANSACTIONS - BUDGET AND ACTUAL
GENERAL FUND**

For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected				
Taxes:				
Secured and unsecured property taxes	\$ 104,658	\$ 104,658	\$ 109,640	\$ 4,982
Utility users taxes	565,249	565,249	503,847	(61,402)
Sales and use taxes	314,514	314,514	471,054	156,540
Franchise taxes	95,866	95,866	131,904	36,038
Other taxes	20,525	20,525	16,707	(3,818)
Licenses and permits	250	250	610	360
Fines and penalties	1,000	1,000	3,875	2,875
Investment revenue collected	8,000	8,000	10,042	2,042
Intergovernmental revenue collected	701,335	701,335	709,078	7,743
Charges for current services	32,314	32,314	26,770	(5,544)
Other revenues collected	54,000	54,000	134,594	80,594
Total revenues collected	1,897,711	1,897,711	2,118,121	220,410
Expenditures Paid				
General Government:				
City council	33,525	33,525	36,830	(3,305)
City manager	198,210	198,210	231,285	(33,075)
Planning	76,000	76,000	60,981	15,019
Engineering	30,000	30,000	14,399	15,601
City clerk	93,145	93,145	83,901	9,244
Finance office	224,882	224,882	204,297	20,585
City treasurer	1,950	1,950	1,938	12
City attorney	43,400	43,400	127,069	(83,669)
Non-departmental	205,000	205,000	161,503	43,497
Total general government	906,112	906,112	922,203	(16,091)
Public Safety:				
Police department	854,274	854,274	809,797	44,477
Dispatch services	114,100	114,100	114,088	12
Animal control	11,500	11,500	11,323	177
Fire department	467,857	467,857	462,722	5,135
Total public safety	1,447,731	1,447,731	1,397,930	49,801

(Continued)

CITY OF HOLTVILLE

SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES
IN FUND BALANCE ARISING FROM CASH TRANSACTIONS - BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended June 30, 2011

(Continued)

Expenditures Paid (continued)	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Public Works:				
Administration	\$ 64,062	\$ 64,062	\$ 29,349	\$ 34,713
Street maintenance	194,755	194,755	176,978	17,777
Parks maintenance	290,760	290,760	302,912	(12,152)
Building maintenance	91,680	91,680	100,557	(8,877)
Total public works	641,257	641,257	609,796	31,461
Capital Outlay	2,000	2,000	9,295	(7,295)
Total expenditures paid	2,997,100	2,997,100	2,939,224	57,876
Excess of revenues collected over (under) expenditures paid	(1,099,389)	(1,099,389)	(821,103)	278,286
Other Financing Sources (Uses):				
Transfers in	1,005,300	1,005,300	927,314	(77,986)
Transfers out			(63,743)	(63,743)
Total other financing sources (uses)	1,005,300	1,005,300	863,571	(141,729)
Net change in fund balance	(94,089)	(94,089)	42,468	136,557
Fund balance - July 1, 2010	475,926	475,926	475,926	
Fund balance - June 30, 2011	\$ 381,837	\$ 381,837	\$ 518,394	\$ 136,557

CITY OF HOLTVILLE**SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES
IN FUND BALANCE ARISING FROM CASH TRANSACTIONS - BUDGET AND ACTUAL
LOCAL TRANSIT AUTHORITY SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected:				
Investment earnings	\$ -	\$ -	\$ 2,820	\$ 2,820
Intergovernmental	295,000	295,000	1,227,105	932,105
Total revenues collected	295,000	295,000	1,229,925	934,925
Expenditures Paid:				
Public works			227,375	(227,375)
Capital outlay	61,935	61,935	1,498	60,437
Total expenditures paid	61,935	61,935	228,873	(166,938)
Excess of revenues collected over (under) expenditures paid	233,065	233,065	1,001,052	767,987
Other Financing Sources (Uses):				
Transfers out			(280,512)	(280,512)
Total other financing sources (uses)			(280,512)	(280,512)
Net change in fund balance	233,065	233,065	720,540	487,475
Fund balance, July 1, 2010	428,614	428,614	428,614	
Fund balance, June 30, 2011	\$ 661,679	\$ 661,679	\$ 1,149,154	\$ 487,475

CITY OF HOLTVILLE**SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES
IN FUND BALANCE ARISING FROM CASH TRANSACTIONS - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected:				
Taxes	\$ 551,840	\$ 551,840	\$ 504,533	\$ (47,307)
Investment earnings			18,625	18,625
Intergovernmental			20,000	20,000
Other revenues collected	12,000	12,000		(12,000)
Total revenues collected	563,840	563,840	543,158	(20,682)
Expenditures Paid:				
Community development	215,015	215,015	252,044	(37,029)
Capital outlay			164,559	(164,559)
Total expenditures paid	215,015	215,015	416,603	(201,588)
Excess of revenues collected over (under) expenditures paid	348,825	348,825	126,555	(222,270)
Other Financing Sources (Uses):				
Transfers in			30,512	30,512
Transfers out	(375,000)	(375,000)	(461,500)	(86,500)
Total other financing sources (uses)	(375,000)	(375,000)	(430,988)	(55,988)
Net change in fund balance	(26,175)	(26,175)	(304,433)	(278,258)
Fund balance, July 1, 2010	2,967,696	2,967,696	2,967,696	
Fund balance, June 30, 2011	\$ 2,941,521	\$ 2,941,521	\$ 2,663,263	\$ (278,258)

CITY OF HOLTVILLE**SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES
IN FUND BALANCE ARISING FROM CASH TRANSACTIONS - BUDGET AND ACTUAL
LOW/MODERATE INCOME HOUSING SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected:				
Taxes	\$ 137,960	\$ 137,960	\$ 126,133	\$ (11,827)
Investment earnings			4,158	4,158
Total revenues collected	137,960	137,960	130,291	(7,669)
Expenditures Paid:				
Community development	500,000	500,000	15,749	484,251
Total expenditures paid	500,000	500,000	15,749	484,251
Net change in fund balance	(362,040)	(362,040)	114,542	476,582
Fund balance, July 1, 2010	1,461,933	1,461,933	1,461,933	
Fund balance, June 30, 2011	<u>\$ 1,099,893</u>	<u>\$ 1,099,893</u>	<u>\$ 1,576,475</u>	<u>\$ 476,582</u>

OTHER SUPPLEMENTAL INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

CITY OF HOLTVILLE

COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES

ARISING FROM CASH TRANSACTIONS - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2011

	Special Revenue Funds				
	Gas Tax Fund	Local Transportation Fund	Bikepath Fund	Park Grant Fund	Land Management Fund
ASSETS					
Cash and investments	\$ 313,131	\$ 36,593	\$ 86,869	\$ -	\$ -
Cash and investments with fiscal agent					
Due from other funds					
Total assets	\$ 313,131	\$ 36,593	\$ 86,869	\$ -	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ -	\$ 27,989	\$ 5,567
Total liabilities				27,989	5,567
Fund Balances:					
Restricted	313,131	36,593	86,869		
Unassigned				(27,989)	(5,567)
Total fund balances (deficit)	313,131	36,593	86,869	(27,989)	(5,567)
Total liabilities and fund balances	\$ 313,131	\$ 36,593	\$ 86,869	\$ -	\$ -

Special Revenue Funds

Equipment Replacement Fund	Historical Fund	State Cops Grant Fund	CDF Grant Fund	Homeland Security Fund	FEMA Fund	Façade Improvement Program Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,087	\$ 1,236
					53,527	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,614	\$ 1,236
\$ 832	\$ -	\$ -	\$ -	\$ 51	\$ -	\$ -
832				51		
(832)				(51)	73,614	1,236
(832)				(51)	73,614	1,236
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,614	\$ 1,236

(Continued)

CITY OF HOLTVILLE

COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES

ARISING FROM CASH TRANSACTIONS - NON-MAJOR GOVERNMENTAL FUNDS (Continued)

June 30, 2011

	Special Revenue Funds				
	Prop 42 Transportation Fund	Prop 1B Street Fund	CDBG Grant Sewer Study Fund	Business Assistance Loan Fund	BECC Grant Fund
ASSETS					
Cash and investments	\$ 40,086	\$ -	\$ -	\$ -	\$ -
Cash and investments with fiscal agent					
Due from other funds					
Total assets	\$ 40,086	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	\$ 4,501	\$ 37,263	\$ 800	\$ 88,581
Total liabilities		4,501	37,263	800	88,581
Fund Balances:					
Restricted	40,086				
Unassigned		(4,501)	(37,263)	(800)	(88,581)
Total fund balances (deficit)	40,086	(4,501)	(37,263)	(800)	(88,581)
Total liabilities and fund balances	\$ 40,086	\$ -	\$ -	\$ -	\$ -

Special Revenue Fund	Capital Projects Funds		Debt Service Fund	
CA Energy Commission Fund	ARRA Fund	FEMA Water Tank Fund	Redevelopment Debt Service Fund	Totals
\$ -	\$ -	\$ -	\$ -	\$ 498,002
			469,039	469,039
				53,527
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 469,039</u>	<u>\$ 1,020,568</u>
 \$ 9,055	 \$ 2,850	 \$ 53,527	 \$ 464,645	 \$ 695,661
<u>9,055</u>	<u>2,850</u>	<u>53,527</u>	<u>464,645</u>	<u>695,661</u>
 (9,055)	 (2,850)	 (53,527)	 4,394	 555,923
<u>(9,055)</u>	<u>(2,850)</u>	<u>(53,527)</u>	<u>4,394</u>	<u>(231,016)</u>
 (9,055)	 (2,850)	 (53,527)	 4,394	 324,907
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 469,039</u>	<u>\$ 1,020,568</u>

CITY OF HOLTVILLE

COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES ARISING FROM CASH
TRANSACTIONS - NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds				
	Gas Tax Fund	Local Transportation Fund	Bikepath Fund	Park Grant Fund	Land Management Fund
Revenues Collected:					
Taxes and other assessments	\$ 166,766	\$ -	\$ -	\$ -	\$ -
Investment earnings	1,355		153		
Intergovernmental		228,157	11,859	70,790	
Other revenues collected				750	
Total revenues collected	168,121	228,157	12,012	71,540	
Expenditures Paid:					
Public safety					
Public works				4,607	
Community development					
Debt service:					
Principal					
Interest					
Capital outlay		114,890		6,006	
Total expenditures paid		114,890		10,613	
Excess of revenues collected over (under) expenditures paid	168,121	113,267	12,012	60,927	
Other Financing Sources (Uses):					
Transfers in					
Transfers out	(161,000)				
Total other financing sources (uses)	(161,000)				
Net changes in fund balances	7,121	113,267	12,012	60,927	
Fund balances (deficit), July 1, 2010	306,010	(76,674)	74,857	(88,916)	(5,567)
Fund balances (deficit), June 30, 2011	<u>\$ 313,131</u>	<u>\$ 36,593</u>	<u>\$ 86,869</u>	<u>\$ (27,989)</u>	<u>\$ (5,567)</u>

Special Revenue Funds

Equipment Replacement Fund	Historical Fund	State Cops Grant Fund	CDF Grant Fund	Homeland Security Fund	FEMA Fund	Façade Improvement Program Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
				3	155	4
				30,301	103,649	24,642
				30,304	103,804	24,646
				30,355	13,465	26,173
					16,725	
				30,355	30,190	26,173
				(51)	73,614	(1,527)
	90,634					
	90,634					
	90,634			(51)	73,614	(1,527)
(832)	(90,634)					2,763
\$ (832)	\$ -	\$ -	\$ -	\$ (51)	\$ 73,614	\$ 1,236

(Continued)

CITY OF HOLTVILLE

COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES ARISING FROM CASH
TRANSACTIONS - NON-MAJOR GOVERNMENTAL FUNDS (Continued)
For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds				
	Prop 42 Transportation Fund	Prop 1B Street Fund	CDBG Grant Sewer Study Fund	Business Assistance Loan Fund	BECC Grant Fund
Revenues Collected:					
Taxes and other assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	168	1,524			
Intergovernmental		50,000	1,014	14,361	16,883
Other revenues collected					
Total revenues collected	168	51,524	1,014	14,361	16,883
Expenditures Paid:					
Public safety					
Public works					
Community development			38,277	15,161	
Debt service:					
Principal					
Interest					
Capital outlay		379,874			105,464
Total expenditures paid		379,874	38,277	15,161	105,464
Excess of revenues collected over (under) expenditures paid	168	(328,350)	(37,263)	(800)	(88,581)
Other Financing Sources (Uses):					
Transfers in					
Transfers out					
Total other financing sources (uses)					
Net changes in fund balances	168	(328,350)	(37,263)	(800)	(88,581)
Fund balances (deficit), July 1, 2010	39,918	323,849			
Fund balances (deficit), June 30, 2011	\$ 40,086	\$ (4,501)	\$ (37,263)	\$ (800)	\$ (88,581)

CA Energy Commission Fund	Capital Projects Funds		Debt Service Fund	Totals
	ARRA Fund	FEMA Water Tank Fund	Redevelopment Debt Service Fund	
\$ -	\$ -	\$ -	\$ -	\$ 166,766
			27	3,389
34,425				586,081
				750
34,425			27	756,986
				30,355
				18,072
			25	79,636
			120,000	120,000
43,480		53,527	344,647	344,647
				719,966
43,480		53,527	464,672	1,312,676
(9,055)		(53,527)	(464,645)	(555,690)
				90,634
				(161,000)
				(70,366)
(9,055)		(53,527)	(464,645)	(626,056)
	(2,850)		469,039	950,963
\$ (9,055)	\$ (2,850)	\$ (53,527)	\$ 4,394	\$ 324,907

CITY OF HOLTVILLE

**STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES
IN FUND BALANCE ARISING FROM CASH TRANSACTIONS - BUDGET AND ACTUAL
GAS TAX FUND**

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:			
Taxes and other assessments	\$ 168,482	\$ 166,766	\$ (1,716)
Investment earnings		1,355	1,355
Total revenues collected	168,482	168,121	(361)
Other Financing Sources (Uses):			
Transfers out	(161,000)	(161,000)	
Total other financing sources (uses)	(161,000)	(161,000)	
Net change in fund balance	7,482	7,121	(361)
Fund balance, July 1, 2010	306,010	306,010	
Fund balance, June 30, 2011	\$ 313,492	\$ 313,131	\$ (361)

CITY OF HOLTVILLE

STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES
IN FUND BALANCE ARISING FROM CASH TRANSACTIONS - BUDGET AND ACTUAL
LOCAL TRANSPORTATION FUND

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:			
Intergovernmental	\$ 222,600	\$ 228,157	\$ 5,557
Total revenues collected	222,600	228,157	5,557
Expenditures Paid:			
Capital outlay	161,256	114,890	46,366
Total expenditures paid	161,256	114,890	46,366
Net change in fund balance	61,344	113,267	51,923
Fund balance (deficit), July 1, 2010	(76,674)	(76,674)	
Fund balance, June 30, 2011	\$ (15,330)	\$ 36,593	\$ 51,923

CITY OF HOLTVILLE

STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES
IN FUND BALANCE ARISING FROM CASH TRANSACTIONS - BUDGET AND ACTUAL
PROP 1B STREET FUND

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:			
Investment earnings	\$ -	\$ 1,524	\$ 1,524
Intergovernmental		50,000	50,000
Total revenues collected		51,524	51,524
Expenditures Paid:			
Capital outlay	43,909	379,874	(335,965)
Total expenditures paid	43,909	379,874	(335,965)
Net change in fund balance	(43,909)	(328,350)	(284,441)
Fund balance, July 1, 2010	323,849	323,849	
Fund balance (deficit), June 30, 2011	\$ 279,940	\$ (4,501)	\$ (284,441)

CITY OF HOLTVILLE**STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES
IN FUND BALANCE ARISING FROM CASH TRANSACTIONS - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:			
Investment earnings	\$ -	\$ 27	\$ 27
Total revenues collected		27	27
Expenditures Paid:			
Community development		25	(25)
Debt service:			
Principal	120,000	120,000	
Interest	351,500	344,647	6,853
Total expenditures paid	471,500	464,672	6,828
Net change in fund balance	(471,500)	(464,645)	6,855
Fund balance, July 1, 2010	469,039	469,039	
Fund balance, June 30, 2011	\$ (2,461)	\$ 4,394	\$ 6,855

CITY OF HOLTVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
ARISING FROM CASH TRANSACTIONS
June 30, 2011

	<u>Employee Health Fund</u>	<u>Public Liabilities Fund</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and investments	<u>\$ -</u>	<u>\$ 5,362</u>	<u>\$ 5,362</u>
Total assets	<u></u>	<u>5,362</u>	<u>5,362</u>
LIABILITIES			
Current Liabilities:			
Due to other funds	<u>98,779</u>	<u></u>	<u>98,779</u>
Total current liabilities	<u>98,779</u>	<u></u>	<u>98,779</u>
NET ASSETS (DEFICIT)			
Unrestricted	<u>(98,779)</u>	<u>5,362</u>	<u>(93,417)</u>
Total net assets (deficit)	<u><u>\$ (98,779)</u></u>	<u><u>\$ 5,362</u></u>	<u><u>\$ (93,417)</u></u>

CITY OF HOLTVILLE

INTERNAL SERVICE FUNDS

**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENSES PAID,
AND CHANGES IN NET ASSETS ARISING FROM CASH TRANSACTIONS**

For the Fiscal Year Ended June 30, 2011

	<u>Employee Health Fund</u>	<u>Public Liabilities Fund</u>	<u>Totals</u>
Non-Operating Revenues Collected			
Investment earnings	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ 24</u>
Total non-operating revenues collected		<u>24</u>	<u>24</u>
Changes in net assets		24	24
Net assets (deficit), beginning of the fiscal year	<u>(98,779)</u>	<u>5,338</u>	<u>(93,441)</u>
Net assets (deficit), end of the fiscal year	<u><u>\$ (98,779)</u></u>	<u><u>\$ 5,362</u></u>	<u><u>\$ (93,417)</u></u>

CITY OF HOLTVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
ARISING FROM CASH TRANSACTIONS
For the Fiscal Year Ended June 30, 2011

	Employee Health Fund	Public Liabilities Fund	Totals
Net cash provided by operating activities	\$ -	\$ -	\$ -
Cash flows from investing activities:			
Interest received		24	24
Increase (decrease) in cash and cash equivalents		24	24
Cash and cash equivalents, beginning of fiscal year		5,338	5,338
Cash and cash equivalents, end of fiscal year	\$ -	\$ 5,362	\$ 5,362
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ -	\$ -	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:			
Net cash provided by operating activities	\$ -	\$ -	\$ -