

CITY OF HOLTVILLE
FINANCIAL STATEMENTS
June 30, 2012

CITY OF HOLTVILLE
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June 30, 2012

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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, 2012, 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* as 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, 2012 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, 2011, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 25, 2013 on our consideration of the City's internal control over financial reporting and on 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 Special Revenue Fund and Home Grant Special Revenue 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 45, Local Transit Authority Special Revenue Fund on page 47, Local Transportation Special Revenue Fund on page 48, Redevelopment Agency Special Revenue Fund on page 49, and Low/Moderate Income Housing Special Revenue Fund on page 50 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, combining Internal Service Funds financial statements, and combining Private-Purpose Trust 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, combining Internal Service Funds financial statements, and combining Private-Purpose Trust 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.



MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
April 25, 2013

CITY OF HOLTVILLE
STATEMENT OF NET ASSETS
ARISING FROM CASH TRANSACTIONS
June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 1,471,186	\$ 1,394,794	\$ 2,865,980
Cash and investments with fiscal agent		1,994,800	1,994,800
Restricted cash and investments		218,905	218,905
Internal balances	122,026	(122,026)	
Deposits receivable	40,583		40,583
Land held for resale	104,085		104,085
Receivable from successor agency trust fund	104,788		104,788
Loans receivable	2,450,768		2,450,768
Deferred charges, net of accumulated amortization		98,213	98,213
Total Assets	4,293,436	3,584,686	7,878,122
Liabilities:			
Noncurrent liabilities:			
Payable to successor agency trust fund		191,860	191,860
Due within one year	18,380	284,000	302,380
Due in more than one year	151,675	9,134,450	9,286,125
Total Liabilities	170,055	9,610,310	9,780,365
Net assets:			
Restricted for:			
Debt service		1,994,800	1,994,800
Low and moderate income housing			
Other purposes (Note 1.O)	2,400,672		2,400,672
Unrestricted	1,722,709	(8,020,424)	(6,297,715)
Total Net Assets (Deficit)	\$ 4,123,381	\$ (6,025,624)	\$ (1,902,243)

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
STATEMENT OF ACTIVITIES
ARISING FROM CASH TRANSACTIONS
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ 938,069	\$ 3,283	\$ 27,378	\$ -
Public safety	1,374,202	19,403	152,133	
Public works	2,466,318	13,880	187,501	1,383,775
Community development	421,925	11,632	98,167	1,653
Interest on long-term debt	176,904			
Total Governmental Activities	5,377,418	48,198	465,179	1,385,428
Business-type Activities:				
Water	1,312,502	1,645,866		
Sewer	1,772,997	1,318,585		138,674
Solid waste	223,377	242,764		
Total Business-type Activities	3,308,876	3,207,215		138,674
Total Primary Government	\$ 8,686,294	\$ 3,255,413	\$ 465,179	\$ 1,524,102

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 before Extraordinary Item

Extraordinary Item

Gain on transfer of assets and liabilities to
RDA successor trust funds

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
\$ (907,408)	\$ -	\$ (907,408)
(1,202,666)		(1,202,666)
(881,162)		(881,162)
(310,473)		(310,473)
(176,904)		(176,904)
<u>(3,478,613)</u>		<u>(3,478,613)</u>
	333,364	333,364
	(315,738)	(315,738)
	19,387	19,387
	<u>37,013</u>	<u>37,013</u>
<u>(3,478,613)</u>	<u>37,013</u>	<u>(3,441,600)</u>
532,224		532,224
470,599		470,599
431,944		431,944
136,777		136,777
17,650		17,650
463,122		463,122
35,932	11,111	47,043
463,166		463,166
158,722	(158,722)	
<u>2,710,136</u>	<u>(147,611)</u>	<u>2,562,525</u>
(768,477)	(110,598)	(879,075)
<u>2,512,576</u>		<u>2,512,576</u>
1,744,099	(110,598)	1,633,501
<u>2,379,282</u>	<u>(5,915,026)</u>	<u>(3,535,744)</u>
<u>\$ 4,123,381</u>	<u>\$ (6,025,624)</u>	<u>\$ (1,902,243)</u>

CITY OF HOLTVILLE
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS -
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Special Revenue Funds	
		Community Development Block Grant	Home Grant
ASSETS			
Cash and investments	\$ 101,606	\$ 340,839	\$ -
Deposits receivable	40,583		
Due from other funds	436,966		
Receivable from successor agency trust fund	219,687		
Land held for resale		104,085	
Loans receivable		1,188,135	4,262,534
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 798,842</u>	<u>\$ 1,633,059</u>	<u>\$ 4,262,534</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 43,249	\$ -	\$ 40,643
Payable to successor agency trust fund	114,899		
Deferred revenue		1,012,878	4,262,534
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>158,148</u>	<u>1,012,878</u>	<u>4,303,177</u>
Fund Balances:			
Nonspendable	104,788		
Restricted		620,181	
Unassigned	535,906		(40,643)
	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficits)	<u>640,694</u>	<u>620,181</u>	<u>(40,643)</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 798,842</u>	<u>\$ 1,633,059</u>	<u>\$ 4,262,534</u>

See accompanying notes to basic financial statements

Special Revenue Funds					
Local Transit Authority Fund	Local Transportation Fund	Redevelopment Agency Fund	Low/Moderate Income Housing Fund	Other Governmental Funds	Total Governmental Funds
\$ 526,258	\$ -	\$ -	\$ -	\$ 497,100	\$ 1,465,803
757,133					40,583
					1,194,099
					219,687
					104,085
					5,450,669
<u>\$ 1,283,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 497,100</u>	<u>\$ 8,474,926</u>
\$ -	\$ 757,133	\$ -	\$ -	\$ 132,269	\$ 973,294
					114,899
					5,275,412
	757,133			132,269	6,363,605
1,283,391	(757,133)			497,100	104,788
				(132,269)	2,400,672
					(394,139)
<u>1,283,391</u>	<u>(757,133)</u>			<u>364,831</u>	<u>2,111,321</u>
<u>\$ 1,283,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 497,100</u>	<u>\$ 8,474,926</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, 2012**

Fund balances of governmental funds	\$	2,111,321
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		5,275,412
An allowance for an uncollectible loan has been set up in the amount of \$2,999,901 for a certain loan receivable.		
		(2,999,901)
Long-term debt and compensated absences have not been included in the governmental funds.		
Long-term debt		(127,703)
Compensated absences		(42,352)
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.		
		<u>(93,396)</u>
Net assets of governmental activities	\$	<u><u>4,123,381</u></u>

See accompanying notes to basic financial statements

CITY OF HOLTVILLE

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

For the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue Funds	
		Community Development Block Grant	Home Grant
Revenues Collected:			
Taxes	\$ 1,172,168	\$ -	\$ -
Licenses, permits, and impact fees	653		
Fines and penalties	2,204		
Investment earnings	9,917	7,773	2,313
Intergovernmental	616,051		
Charges for current services	45,341		
Other revenues collected	468,543		
Program income		2,061	8,847
Total revenues collected	2,314,877	9,834	11,160
Expenditures Paid:			
General government	998,925		
Public safety	1,342,277		
Public works	501,257		
Community development		34,479	
Capital outlay			
Debt service:			
Principal			
Interest			
Total expenditures paid	2,842,459	34,479	
Excess of revenues collected over (under) expenditures paid	(527,582)	(24,645)	11,160
Other Financing Sources (Uses):			
Transfers in	430,195		
Transfers out			
Total other financing sources (uses)	430,195		
Net changes in fund balances before Extraordinary Item	(97,387)	(24,645)	11,160
Extraordinary Item:			
Gain/loss on transfer of assets and liabilities to successor agency			
Net changes in fund balances	(97,387)	(24,645)	11,160
Fund balances (deficits), July 1, 2011	518,394	644,826	(51,803)
Prior period adjustments	219,687		
Fund balances (deficits), July 1, 2011, restated	738,081	644,826	(51,803)
Fund balances (deficits), June 30, 2012	\$ 640,694	\$ 620,181	\$ (40,643)

See accompanying notes to basic financial statements

Special Revenue Funds					
Local Transit Authority Fund	Local Transportation Fund	Redevelopment Agency Fund	Low/Moderate Income Housing Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 360,606	\$ 56,420	\$ 186,705	\$ 1,775,899
					653
					2,204
2,535	78	9,320	999	2,976	35,911
583,689	577,792			344,115	2,121,647
					45,341
					468,543
					10,908
586,224	577,870	369,926	57,419	533,796	4,461,106
					998,925
				25,321	1,367,598
				63,021	564,278
		137,906		47,060	219,445
301,987	1,404,885	164,106		196,010	2,066,988
				125,000	125,000
				171,100	171,100
301,987	1,404,885	302,012		627,512	5,513,334
284,237	(827,015)	67,914	57,419	(93,716)	(1,052,228)
	33,289			814,272	1,277,756
(150,000)		(608,596)	(185,438)	(175,000)	(1,119,034)
(150,000)	33,289	(608,596)	(185,438)	639,272	158,722
134,237	(793,726)	(540,682)	(128,019)	545,556	(893,506)
		(1,902,894)	(1,448,456)	(469,039)	(3,820,389)
134,237	(793,726)	(2,443,576)	(1,576,475)	76,517	(4,713,895)
1,149,154	36,593	2,663,263	1,576,475	288,314	6,825,216
		(219,687)			
1,149,154	36,593	2,443,576	1,576,475	288,314	6,825,216
\$ 1,283,391	\$ (757,133)	\$ -	\$ -	\$ 364,831	\$ 2,111,321

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, 2012

Net change in fund balances - total governmental funds \$ (4,713,895)

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. 23,725

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		(3,847)
Cost of issuance amortized during the fiscal year		(1,957)

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	\$ 125,000	
Increase in claims payable	<u>(2,701)</u>	122,299

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. (15,212)

Difference in the gain/loss on transfer of assets and liabilities to RDA successor trust funds between the governmental activities \$2,512,576 and the fund financial statements (\$3,820,389) 6,332,965

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. 21

Change in net assets of governmental activities \$ 1,744,099

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, 2012

	Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Solid Waste Fund		
ASSETS					
Current Assets:					
Cash and investments	\$ 805,645	\$ 589,149	\$ -	\$ 1,394,794	\$ 5,383
Cash and investments with fiscal agent	320,750	1,674,050		1,994,800	
Restricted cash and investments	218,905			218,905	
Due from other funds	125,967			125,967	
Total current assets	<u>1,471,267</u>	<u>2,263,199</u>		<u>3,734,466</u>	<u>5,383</u>
Non-Current Assets:					
Deferred charges, net of accumulated amortization		98,213		98,213	
Total non-current assets		<u>98,213</u>		<u>98,213</u>	
Total assets	<u>1,471,267</u>	<u>2,361,412</u>		<u>3,832,679</u>	<u>5,383</u>
LIABILITIES					
Current Liabilities:					
Due to other funds	82,718		165,275	247,993	98,779
Current portion of long-term liabilities	244,000	40,000		284,000	
Total current liabilities	<u>326,718</u>	<u>40,000</u>	<u>165,275</u>	<u>531,993</u>	<u>98,779</u>
Long-Term Liabilities:					
Payable to successor agency trust fund	191,860			191,860	
Compensated absences	28,424	19,627		48,051	
Bonds payable	5,746,399	3,340,000		9,086,399	
Total long-term liabilities	<u>5,966,683</u>	<u>3,359,627</u>		<u>9,326,310</u>	
Total liabilities	<u>6,293,401</u>	<u>3,399,627</u>	<u>165,275</u>	<u>9,858,303</u>	<u>98,779</u>
NET ASSETS (DEFICIT)					
Restricted for debt service	320,750	1,674,050		1,994,800	
Unrestricted	<u>(5,142,884)</u>	<u>(2,712,265)</u>	<u>(165,275)</u>	<u>(8,020,424)</u>	<u>(93,396)</u>
Total net assets (deficit)	<u>\$ (4,822,134)</u>	<u>\$ (1,038,215)</u>	<u>\$ (165,275)</u>	<u>\$ (6,025,624)</u>	<u>\$ (93,396)</u>

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, 2012

	Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Solid Waste Fund		
Operating Revenues Collected:					
Charges for services	\$ 1,623,481	\$ 1,318,585	\$ 242,764	\$ 3,184,830	\$ -
Impact fees	17,385			17,385	
Connection charges	5,000			5,000	
Total operating revenues collected	<u>1,645,866</u>	<u>1,318,585</u>	<u>242,764</u>	<u>3,207,215</u>	
Operating Expenses Paid:					
Salaries and wages	331,724	385,240	205,973	922,937	
Payroll expenses	142,266	149,998		292,264	
Training, safety, and clothing	13,564	11,765		25,329	
Materials, supplies, and services	548,289	365,590	17,404	931,283	
Total operating expenses paid	<u>1,035,843</u>	<u>912,593</u>	<u>223,377</u>	<u>2,171,813</u>	
Operating income (loss) arising from cash transactions	<u>610,023</u>	<u>405,992</u>	<u>19,387</u>	<u>1,035,402</u>	
Non-Operating Revenues Collected					
(Expenses Paid):					
Investment earnings	5,285	5,826		11,111	21
Interest expense	(276,659)	(127,034)		(403,693)	
Amortization expense		(32,738)		(32,738)	
Capital outlay		(700,632)		(700,632)	
Total non-operating revenues collected (expenses paid)	<u>(271,374)</u>	<u>(854,578)</u>		<u>(1,125,952)</u>	<u>21</u>
Income (loss) arising from cash transactions before transfers and capital grants received	338,649	(448,586)	19,387	(90,550)	21
Capital grants received		138,674		138,674	
Transfers:					
Transfers in		25,834	19,965	45,799	
Transfers out	(85,221)	(119,300)		(204,521)	
Changes in net assets	<u>253,428</u>	<u>(403,378)</u>	<u>39,352</u>	<u>(110,598)</u>	<u>21</u>
Net assets (deficit), beginning of the fiscal year	<u>(5,075,562)</u>	<u>(634,837)</u>	<u>(204,627)</u>	<u>(5,915,026)</u>	<u>(93,417)</u>
Net assets (deficit), end of the fiscal year	<u>\$ (4,822,134)</u>	<u>\$ (1,038,215)</u>	<u>\$ (165,275)</u>	<u>\$ (6,025,624)</u>	<u>\$ (93,396)</u>

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, 2012

	Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Solid Waste Fund		
Cash Flows from Operating Activities:					
Receipts from user charges	\$ 1,645,866	\$ 1,318,585	\$ 203,937	\$ 3,168,388	\$ -
Payments to suppliers	(704,119)	(527,353)	(17,404)	(1,248,876)	
Payments for salaries	(334,258)	(398,945)	(206,498)	(939,701)	
Net Cash Provided (Used) by Operating Activities	607,489	392,287	(19,965)	979,811	
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets		(700,632)		(700,632)	
Capital grants received		138,674		138,674	
Bond issue costs paid		(130,950)		(130,950)	
Proceeds from debt issuance		1,660,000		1,660,000	
Principal paid	(232,000)	(40,000)		(272,000)	
Interest paid	(276,659)	(127,034)		(403,693)	
Net Cash Provided (Used) for Capital and Related Financing Activities	(508,659)	800,058		291,399	
Cash Flows from Non-Capital Financing Activities:					
Transfers received		25,834	19,965	45,799	
Transfers paid	(85,221)	(119,300)		(204,521)	
Net Cash Provided (Used) from Non-Capital Financing Activities	(85,221)	(93,466)	19,965	(158,722)	
Cash Flows from Investing Activities:					
Interest received	5,285	5,826		11,111	21
Increase (decrease) in cash and cash equivalents	18,894	1,104,705		1,123,599	21
Cash and cash equivalents, beginning of fiscal year	1,326,406	1,158,494		2,484,900	5,362
Cash and cash equivalents, end of fiscal year	\$ 1,345,300	\$ 2,263,199	\$ -	\$ 3,608,499	\$ 5,383
Reconciliation to Statement of Net Assets:					
Cash and investments	\$ 805,645	\$ 589,149	\$ -	\$ 1,394,794	\$ 5,383
Cash and investments with fiscal agents	320,750	1,674,050		1,994,800	
Restricted cash and investments	218,905			218,905	
Total cash and cash equivalents, end of fiscal year	\$ 1,345,300	\$ 2,263,199	\$ -	\$ 3,608,499	\$ 5,383

(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, 2012

(Continued)

	Enterprise Funds			Totals	Governmental
	Water Fund	Sewer Fund	Solid Waste Fund		Activities-Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 610,023	\$ 405,992	\$ 19,387	\$ 1,035,402	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in operating assets and liabilities:					
Increase (decrease) in due to other funds			(38,827)	(38,827)	
Increase (decrease) in compensated absences	(2,534)	(13,705)	(525)	(16,764)	
Net Cash Provided (Used) by Operating Activities	\$ 607,489	\$ 392,287	\$ (19,965)	\$ 979,811	\$ -

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
 FIDUCIARY FUNDS
 STATEMENT OF NET ASSETS
 June 30, 2012

	Private-Purpose Trust Funds
	<u> </u>
Assets	
Cash and investments	\$ 20,476
Cash and investments with fiscal agents	469,039
Restricted cash and investments	2,627,518
Deferred charges, net of accumulated amortization	252,056
Notes receivable	349,308
Receivable from City of Holtville	306,759
Receivable from other trust funds	376,813
Capital assets, not being depreciated	<u>437,894</u>
 Total assets	 <u>4,839,863</u>
 Liabilities	
Payable to City of Holtville	219,687
Payable to other trust funds	376,813
Long-term debt, due within one year	480,000
Long-term debt, due in more than one year	<u>6,375,000</u>
 Total liabilities	 <u>7,451,500</u>
 Net Assets	
Restricted for debt service	469,039
Unrestricted	<u>(3,080,676)</u>
 Total net assets (deficit)	 <u><u>\$ (2,611,637)</u></u>

The accompanying notes are an integral part of these basic financial statements.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The City of Holtville (City) 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.

The Agency was dissolved as of February 1, 2012 and is now reported as private-purpose trust funds in the financial statements.

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.

Fiduciary fund financial statements

Fiduciary fund financial statements include a Statement of Net Assets and Statement of Changes in Net Assets.

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 **Local Transportation Fund** is used to account for local transportation projects which are funded in whole or in part through State and/or Federal funding sources specific to the transportation project(s).

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 types:

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.

The **Private-Purpose Trust Funds** are used to account for the activities of the Successor Agency (former Redevelopment Agency).

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, Park Grant Fund, Land Management Fund, Equipment Replacement 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, 2012, the City had recorded restricted net assets in the Governmental Activities and Business-type Activities as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Restricted for:		
Debt service	\$ -	\$ 1,994,800
Community development	620,181	
Transportation	1,422,901	
Streets and roads	326,836	
Emergencies	12,685	
Capital projects	18,069	
Total Restricted	<u>\$ 2,400,672</u>	<u>\$ 1,994,800</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, 2012

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, 2012 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
Nonspendable:								
Receivable from Successor Agency	\$ 104,788	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,788
Total Nonspendable	104,788							104,788
Restricted for:								
Community Development		620,181						620,181
Transportation				1,283,391			139,510	1,422,901
Streets and Roads							326,836	326,836
Emergencies							12,685	12,685
Capital Projects							18,069	18,069
Total Restricted		620,181		1,283,391			497,100	2,400,672
Unassigned	535,906		(40,643)				(889,402)	(394,139)
Total Fund Balances	\$ 640,694	\$ 620,181	\$ (40,643)	\$ 1,283,391	\$ -	\$ -	\$ (392,302)	\$ 2,111,321

P. New Accounting Pronouncements

The City has implemented the requirements of GASB Statements No. 64 during the fiscal year ended June 30, 2012.

GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions

This Statement is effective for periods beginning after June 15, 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. 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 Obligation</u>	
Claims Payable	\$ 127,703
	<u>\$ 127,703</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances and Retained Earnings

Deficit retained earnings of \$4,822,134, \$1,038,215, \$165,275, 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 \$40,643, \$757,133, \$27,989, \$5,567, \$832, \$2,661, \$4,385, \$56,740, \$5,109, \$17,081, \$9,055, and \$2,850 in the Home Grant Special Revenue Fund, Local Transportation Special Revenue Fund, Park Grant Special Revenue Fund, Land Management Special Revenue Fund, Equipment Replacement Special Revenue Fund, Façade Improvement Program 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, and ARRA 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:

FUND	APPROPRIATIONS	EXPENDITURES	EXCESS
Major Funds:			
General:			
General government	\$ 871,603	\$ 998,925	\$ 127,322
Redevelopment Agency Fund:			
Capital outlay	140,000	164,106	24,106
Nonmajor Funds:			
Local Transportation Special Revenue Fund:			
Capital outlay	150,000	1,404,885	1,254,885
Redevelopment Agency Debt Service Fund:			
Debt Service:			
Principal	120,000	125,000	5,000

NOTE 4 - CASH AND INVESTMENTS

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

Statement of Net Assets:	
Cash and investments	\$ 2,865,980
Cash and investments with fiscal agents	1,994,800
Restricted cash and investments	218,905
Statement of Fiduciary Net Assets:	
Cash and investments	20,476
Cash and investments with fiscal agents	469,039
Restricted cash and investments	2,627,518
Total	<u>\$ 8,196,718</u>
Cash and investments held by the City at June 30, 2012 consisted of the following:	
Cash on hand	\$ 100
Cash deposits	2,857,610
Investments	5,339,008
Total	<u>\$ 8,196,718</u>

NOTE 4 - CASH AND INVESTMENTS (CONTINUED)

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

The table below identifies the investment types that are authorized 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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%

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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

NOTE 4 - CASH AND INVESTMENTS (CONTINUED)

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:

Investment Type	Totals	Remaining Maturity (in Months)				
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	More Than 48 Months
State Investment Pool Held by Bond trustees:	\$ 2,875,170	\$ 2,875,170	\$ -	\$ -	\$ -	\$ -
Money Market Funds	2,463,838	2,463,838				
	<u>\$ 5,339,008</u>	<u>\$ 5,339,008</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).

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 Held by bond trustees:	\$2,875,170	N/A	\$ -	\$ -	\$ -	\$ -	\$2,875,170
Money Market Funds	2,463,838	N/A		934,490			1,529,348
Total	<u>\$5,339,008</u>		<u>\$ -</u>	<u>\$ 934,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,404,518</u>

NOTE 4 - CASH AND INVESTMENTS (CONTINUED)

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, 2012, \$2,390,735 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 has acquired a parcel of land as part of the foreclosure process as the result of non-payment on a note receivable held by the City. The City records this 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, 2012, the net realizable value for land held for resale totaled \$104,085.

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, 2012 is \$5,421,969, and the fund financial statements reflect deferred revenue of \$5,275,412 to offset the deferred portion of these loans receivable.

NOTE 6 - LOANS AND NOTES RECEIVABLE (CONTINUED)

The City loaned Business Program loans to various business owners within the City. As of June 30, 2012, 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, 2012 is \$28,700.

On September 1, 2003, the City loaned Holtville Gardens, L.P. \$3,000,000 as part of the State of California HOME Investment Partnership Program 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 1%, shall be due and payable in full fifty-five (55) years from September 1, 2003. The outstanding balance as of June 30, 2012 is \$2,999,901. The fund financial statements reflect deferred revenue in the amount of \$2,999,901 to offset this note receivable, which includes interest. On the statement of net assets the City has set up an allowance of \$2,999,901 as of June 30, 2012.

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.

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.

NOTE 7 - PROPERTY TAXES (CONTINUED)

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 City recorded bond issuance costs and a discount from the issuance of its 2011 Subordinate Sewer Revenue Notes in the amount of \$90,380 and \$40,570 respectively. The amortization period is 24 months, and accumulated amortization as of June 30, 2012 was \$32,738.

NOTE 9 - LONG-TERM DEBT

A. 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.

NOTE 9 - LONG-TERM DEBT (CONTINUED)

A. Business-type Activities (Continued)

1999 Water Revenue Refunding Bonds (Continued)

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:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	240,000	74,750	314,750
2018-2022	1,375,000	178,625	1,553,625
	<u>\$ 2,455,000</u>	<u>\$ 662,875</u>	<u>\$ 3,117,875</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
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	50,000	90,613	140,613
2018-2022	300,000	403,419	703,419
2023-2027	400,000	300,715	700,715
2028-2032	535,000	162,150	697,150
2033-2034	260,000	15,900	275,900
	<u>\$ 1,720,000</u>	<u>\$ 1,360,377</u>	<u>\$ 3,080,377</u>

NOTE 9 – LONG-TERM DEBT (CONTINUED)

A. 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
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	43,000	134,428	177,428
2018-2022	245,000	640,887	885,887
2023-2027	303,000	582,837	885,837
2028-2032	372,000	511,419	883,419
2033-2037	459,000	423,543	882,543
2038-2042	566,000	314,695	880,695
2043-2047	696,000	180,950	876,950
2048-2050	492,000	31,913	523,913
	<u>\$ 3,332,000</u>	<u>\$ 3,374,509</u>	<u>\$ 6,706,509</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
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	14,000	3,826	17,826
2018-2022	74,000	13,438	87,438
2023-2026	64,399	3,312	67,711
	<u>\$ 203,399</u>	<u>\$ 39,304</u>	<u>\$ 242,703</u>

2011 Subordinate Sewer Revenue Notes

On November 17, 2011, the Holtville Public Financing Authority issued \$1,660,000 of 2011 Subordinate Sewer Revenue Notes for the purpose of financing the costs of certain capital improvements of the City’s sewer and wastewater system, 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 2011 Subordinate Sewer Revenue Notes are serviced by a lien on subordinate net revenues.

The notes mature on December 1, 2013. The interest rate is 3.5%. Future minimum debt service payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ -	\$ 58,100	\$ 58,100
2014	1,660,000	29,050	1,689,050
	<u>\$ 1,660,000</u>	<u>\$ 87,150</u>	<u>\$ 1,747,150</u>

NOTE 9 – LONG-TERM DEBT (CONTINUED)

C. The following is a summary of Long-Term Debt activity for the fiscal year ended June 30, 2012:

Governmental activities	Balance July 1, 2011	Additions	Deletions	Transfer to Successor Agency	Balance June 30, 2012	Due in one year
Compensated absences	\$ 27,140	\$ 15,212	\$ -	\$ -	\$ 42,352	\$ -
Claims payable	475,002	2,701		350,000	127,703	18,380
2007 Tax Allocation Bonds	6,630,000		125,000	6,505,000		
	<u>\$ 7,132,142</u>	<u>\$ 17,913</u>	<u>\$ 125,000</u>	<u>\$ 6,855,000</u>	<u>\$ 170,055</u>	<u>\$ 18,380</u>
Business-type activities						
Compensated absences	\$ 64,815	\$ -	\$ 16,764	\$ -	\$ 48,051	\$ -
1999 Water Revenue Refunding Bonds	2,640,000		185,000		2,455,000	195,000
2003 Sewer Revenue Bonds	1,760,000		40,000		1,720,000	40,000
2009A Water Revenue Bonds	3,367,000		35,000		3,332,000	37,000
2009B Water Revenue Bonds	215,399		12,000		203,399	12,000
2011 Subordinate Sewer Revenue Notes		1,660,000			1,660,000	
	<u>\$ 8,047,214</u>	<u>\$ 1,660,000</u>	<u>\$ 288,764</u>	<u>\$ -</u>	<u>\$ 9,418,450</u>	<u>\$ 284,000</u>

NOTE 10 – INTERFUND AND TRUST FUND RECEIVABLES/PAYABLES

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, 2012, the former Redevelopment Special Revenue Fund (Successor Agency Private-Purpose Trust 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 former Redevelopment Special Revenue Fund (Successor Agency Private-Purpose Trust 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.

As of June 30, 2012, the former Redevelopment Special Revenue Fund (Successor Agency Private-Purpose Trust fund) owed the City's General Fund \$219,687, in relation to monies that were never transferred from the former Redevelopment Agency bank account to the City's bank account for administration in prior fiscal years.

As of June 30, 2012, the former Redevelopment Special Revenue Fund (Successor Agency Private-Purpose Trust fund) had overpaid the City's General Fund \$114,899, in relation to monies that were transferred for reimbursements and administration in fiscal year 2009/10.

NOTE 10 – INTERFUND AND TRUST FUND RECEIVABLES/PAYABLES (CONTINUED)

The composition of the receivable and payable balances in the Private-Purpose Trust Fund, as of June 30, 2012, is as follows:

A. Receivable and Payable in Private-Purpose Trust Fund

	<u>Receivable</u>	<u>Payable</u>
Fiduciary Fund:		
RDA Successor Agency Private-Purpose Trust Fund	\$ 306,759	\$ 219,687
Major Governmental Fund:		
General Fund	219,687	114,899
Proprietary Fund:		
Major Fund:		
Water		191,860
	<u>\$ 526,446</u>	<u>\$ 526,446</u>

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	\$ 436,966	\$ 43,249
Home Grant		40,643
Local Transit Authority	757,133	
Local Transportation		757,133
Nonmajor Funds:		
Special Revenue Funds:		
Park Grant		27,989
Land Management		5,567
Equipment Replacement		832
Façade Improvement Program		2,661
Prop 1B Street		4,385
CDBG Grant Sewer Study		56,740
Business Assistance Loan		5,109
BECC Grant		17,081
CA Energy Commission		9,055
ARRA		2,850
Proprietary Funds:		
Major Funds:		
Water	125,967	82,718
Solid Waste		165,275
Internal Service:		
Employee Health		98,779
	<u>\$ 1,320,066</u>	<u>\$ 1,320,066</u>

NOTE 10 – INTERFUND AND TRUST FUND RECEIVABLES/PAYABLES (CONTINUED)

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.

Transfers for the fiscal year ended June 30, 2012 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major Funds:		
General	\$ 430,195	\$ -
Local Transit Authority		150,000
Local Transportation	33,289	
Redevelopment Agency		608,596
Low/Moderate Income Housing		185,438
Nonmajor Funds:		
Special Revenue Funds:		
Gas Tax		175,000
Capital Projects Fund:		
FEMA Water Tank	53,527	
Debt Service Fund:		
Redevelopment Agency	760,745	
Proprietary Funds:		
Major Funds:		
Water		85,221
Sewer	25,834	119,300
Solid Waste	19,965	
	<u>\$ 1,323,555</u>	<u>\$ 1,323,555</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 \$481,226 for the workers' compensation fund.

Summary financial information for the funds of the PERMA for the fiscal year ended June 30, 2012 is as follows:

	<u>Workers' Compensation</u>	<u>Liability</u>
Total assets	\$ 16,693,751	\$ 19,192,381
Total liabilities	14,384,610	1,121,528
Retained earnings	2,309,141	18,070,853
Total revenues	2,248,800	5,921,549
Total expenditures	1,753,155	3,498,924
Net increase in retained earnings	495,645	2,422,625

NOTE 11 - SELF-FUNDED INSURANCE COVERAGE (CONTINUED)

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, 2012, the amount of these liabilities was \$109,323, which did not include \$18,380 of a settlement agreement with the Holtville Unified School District, which is payable in the fiscal year ending June 30, 2013. The loss liability is the City's best estimate based on available information.

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 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 immaterial to the financial statements.

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.

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 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY:

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Pacifica that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 9, 2012, the City elected to become the Successor Agency for the former Holtville Redevelopment Agency.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs State Controller of the State of California review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the state Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED):

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary (gain)/loss reported in governmental funds – (decrease)/increase to net assets of the Successor Agency Trust Funds	\$3,820,389
Deferred notes receivable recorded in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	265,833
Deferred charges reported in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	256,202
Long-term debt reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Funds	<u>(6,855,000)</u>
Net decrease to net assets of the Successor Agency Trust Funds as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$(2,512,576)</u>

On May 9, 2005, the former Redevelopment 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 outstanding balance as of June 30, 2012 was \$270,000.

On June 1, 2005, the former Redevelopment 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, 2012 was \$79,308.

The former 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, 2012 was \$46,432.

As of June 30, 2012, the Successor Agency held land in the amount of \$437,894 which consisted of vacant land purchased in December 2007 that was originally intended to be sold for future development.

Long-term debt of the Successor Agency as of June 30, 2012, consisted of the following:

2007 Tax Allocation Bonds

Former Community Development Agency Tax Allocation Bonds

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

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED):

2007 Tax Allocation Bonds (Continued)

Former Redevelopment Agency Tax Allocation Bonds (Continued)

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.

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.

Annual debt service requirements, to maturity, for the 2007 Tax Allocation Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	155,000	309,882	464,882
2018-2022	880,000	1,431,683	2,311,683
2013-2027	1,125,000	1,178,600	2,303,600
2028-2032	1,450,000	836,870	2,286,870
2033-2037	1,900,000	387,450	2,287,450
2038	445,000	12,015	457,015
	<u>\$ 6,505,000</u>	<u>\$ 5,459,396</u>	<u>\$ 11,964,396</u>

Claims Payable

The Successor Agency has accrued \$350,000 of an anticipated payment to the Holtville Unified School District as a result of a settlement agreement entered into on September 19, 2012. The payment will be due in the fiscal year ending June 30, 2013.

	Balance July 1, 2011	Additions	Deletions	Transfer from Redevelopment Agency	Balance June 30, 2012	Due in one year
Claims payable	\$ -	\$ -	\$ -	\$ 350,000	\$ 350,000	\$ 350,000
2007 Tax Allocation Bonds				6,505,000	6,505,000	130,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,855,000</u>	<u>\$ 6,855,000</u>	<u>\$ 480,000</u>

NOTE 16 – SUBSEQUENT EVENTS

The City entered into a settlement agreement with the Holtville Unified School District (District) on September 19, 2012 that requires the City to pay \$12,500 to the District and the Successor Agency to pay \$350,000 to the District. Actual payments made to the District were \$18,380 and \$350,000 respectively, and have been accrued as liabilities on the Statement of Net Assets for governmental activities and fiduciary funds.

On October 22, 2012, the City Council awarded two construction contracts to Pyramid Construction for \$144,455 and \$360,056.

On December 19, 2012, the City Council approved execution and delivery of a lease agreement between Alliance Subsidiary and the City for occupancy of a new medium security detention multi-jurisdictional facility and related facilities located in Imperial County. As part of the lease, the City will enter into a management agreement with Management and Training Corporation for the maintenance, repairs, and operation of the facilities.

In preparing the accompanying financial statements, the City management has reviewed all known events that have occurred after June 30, 2012, and through April 25, 2013, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.

NOTE 17 – FINANCIAL CONDITION

The City's business-type activities net assets has a deficit of \$6,025,624 at June 30, 2012, which includes deficit net assets of \$4,822,134 in the Water fund, \$1,038,215 in the Sewer fund, and \$165,275 in the Solid Waste fund. As of June 30, 2012, the City's general fund had temporarily loaned \$436,966 to other funds that had negative cash balances as of June 30, 2012. 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.

The City's general fund has a net receivable balance from the Successor Agency of \$104,788 as of June 30, 2012. At this time it is uncertain if this balance will be received from the Successor Agency. This could have a negative effect on the City's general fund should the receivable become uncollectible.

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made in the General

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, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected				
Taxes:				
Secured and unsecured property taxes	\$ 96,559	\$ 96,559	\$ 115,198	\$ 18,639
Utility users taxes	543,963	543,963	470,599	(73,364)
Sales and use taxes	322,899	322,899	431,944	109,045
Franchise taxes	83,592	83,592	136,777	53,185
Other taxes	18,500	18,500	17,650	(850)
Licenses and permits			653	653
Fines and penalties	2,500	2,500	2,204	(296)
Investment revenue collected	8,250	8,250	9,917	1,667
Intergovernmental revenue collected	587,748	587,748	616,051	28,303
Charges for current services	42,481	42,481	45,341	2,860
Other revenues collected	337,700	337,700	468,543	130,843
Total revenues collected	2,044,192	2,044,192	2,314,877	270,685
Expenditures Paid				
General Government:				
City council	32,400	32,400	29,956	2,444
City manager	184,022	184,022	223,683	(39,661)
Planning	32,250	32,250	91,885	(59,635)
Engineering	25,000	25,000	12,321	12,679
City clerk	86,416	86,416	84,008	2,408
Finance office	229,565	229,565	298,058	(68,493)
City treasurer	1,950	1,950	1,938	12
City attorney	110,000	110,000	81,741	28,259
Non-departmental	170,000	170,000	175,335	(5,335)
Total general government	871,603	871,603	998,925	(127,322)
Public Safety:				
Police department	793,050	793,050	741,997	51,053
Dispatch services	114,100	114,100	114,088	12
Animal control	7,800	7,800	9,360	(1,560)
Fire department	438,535	438,535	476,832	(38,297)
Total public safety	1,353,485	1,353,485	1,342,277	11,208

(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, 2012

(Continued)

Expenditures Paid (continued)	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Public Works:				
Administration	\$ -	\$ -	\$ 1,449	\$ (1,449)
Street maintenance	152,290	152,290	152,869	(579)
Parks maintenance	332,074	332,074	271,509	60,565
Building maintenance	67,500	67,500	75,430	(7,930)
Total public works	<u>551,864</u>	<u>551,864</u>	<u>501,257</u>	<u>50,607</u>
Capital Outlay				
Total expenditures paid	<u>2,776,952</u>	<u>2,776,952</u>	<u>2,842,459</u>	<u>(65,507)</u>
Excess of revenues collected over (under) expenditures paid	<u>(732,760)</u>	<u>(732,760)</u>	<u>(527,582)</u>	<u>205,178</u>
Other Financing Sources (Uses):				
Transfers in	<u>869,300</u>	<u>869,300</u>	<u>430,195</u>	<u>(439,105)</u>
Total other financing sources (uses)	<u>869,300</u>	<u>869,300</u>	<u>430,195</u>	<u>(439,105)</u>
Net change in fund balance	<u>136,540</u>	<u>136,540</u>	<u>(97,387)</u>	<u>(233,927)</u>
Fund balance - July 1, 2011	518,394	518,394	518,394	
Prior period adjustment			<u>219,687</u>	<u>219,687</u>
Fund balance - July 1, 2011, restated	<u>518,394</u>	<u>518,394</u>	<u>738,081</u>	<u>219,687</u>
Fund balance - June 30, 2012	<u>\$ 654,934</u>	<u>\$ 654,934</u>	<u>\$ 640,694</u>	<u>\$ (14,240)</u>

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, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected:				
Investment earnings	\$ -	\$ -	\$ 2,535	\$ 2,535
Intergovernmental	430,000	430,000	583,689	153,689
Total revenues collected	430,000	430,000	586,224	156,224
Expenditures Paid:				
Capital outlay	708,910	708,910	301,987	406,923
Total expenditures paid	708,910	708,910	301,987	406,923
Excess of revenues collected over (under) expenditures paid	(278,910)	(278,910)	284,237	563,147
Other Financing Sources (Uses):				
Transfers out			(150,000)	(150,000)
Total other financing sources (uses)			(150,000)	(150,000)
Net change in fund balance	(278,910)	(278,910)	134,237	413,147
Fund balance, July 1, 2011	1,149,154	1,149,154	1,149,154	
Fund balance, June 30, 2012	\$ 870,244	\$ 870,244	\$ 1,283,391	\$ 413,147

CITY OF HOLTVILLE
SCHEDULE 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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:				
Investment earnings	\$ -	\$ -	\$ 78	\$ 78
Intergovernmental	116,000	116,000	577,792	461,792
Total revenues collected	116,000	116,000	577,870	461,870
Expenditures Paid:				
Capital outlay	150,000	150,000	1,404,885	(1,254,885)
Total expenditures paid	150,000	150,000	1,404,885	(1,254,885)
Excess of revenues collected over (under) expenditures paid	(34,000)	(34,000)	(827,015)	(793,015)
Other Financing Sources (Uses):				
Transfers in			33,289	33,289
Total other financing sources (uses)			33,289	33,289
Net change in fund balance	(34,000)	(34,000)	(793,726)	(759,726)
Fund balance, July 1, 2011	36,593	36,593	36,593	
Fund balance, June 30, 2012	\$ 2,593	\$ 2,593	\$ (757,133)	\$ (759,726)

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, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected:				
Taxes	\$ 886,000	\$ 886,000	\$ 360,606	\$ (525,394)
Investment earnings			9,320	9,320
Other revenues collected	16,000	16,000		(16,000)
Total revenues collected	902,000	902,000	369,926	(532,074)
Expenditures Paid:				
Community development	492,000	492,000	137,906	354,094
Capital outlay	140,000	140,000	164,106	(24,106)
Total expenditures paid	632,000	632,000	302,012	329,988
Excess of revenues collected over (under) expenditures paid	270,000	270,000	67,914	(202,086)
Other Financing Sources (Uses):				
Transfers in	185,000	185,000		(185,000)
Transfers out	(754,700)	(754,700)	(608,596)	146,104
Total other financing sources (uses)	(569,700)	(569,700)	(608,596)	(38,896)
Net change in fund balance before Extraordinary Item	(299,700)	(299,700)	(540,682)	(240,982)
Extraordinary Item:				
Gain/loss on transfer of assets and liabilities to successor agency			(1,902,894)	(1,902,894)
Net change in fund balance	(299,700)	(299,700)	(2,443,576)	(2,143,876)
Fund balance, July 1, 2011	2,663,263	2,663,263	2,663,263	
Prior period adjustments			(219,687)	(219,687)
Fund balances, July 1, 2011, restated	2,663,263	2,663,263	2,443,576	(219,687)
Fund balance, June 30, 2012	\$ 2,363,563	\$ 2,363,563	\$ -	\$ (2,363,563)

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, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected:				
Taxes	\$ 155,000	\$ 155,000	\$ 56,420	\$ (98,580)
Investment earnings			999	999
Total revenues collected	<u>155,000</u>	<u>155,000</u>	<u>57,419</u>	<u>(97,581)</u>
Expenditures Paid:				
Community development	<u>77,343</u>	<u>77,343</u>		<u>77,343</u>
Total expenditures paid	<u>77,343</u>	<u>77,343</u>		<u>77,343</u>
Excess of revenues collected over (under) expenditures paid	<u>77,657</u>	<u>77,657</u>	<u>57,419</u>	<u>(20,238)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(169,300)</u>	<u>(169,300)</u>	<u>(185,438)</u>	<u>(16,138)</u>
Total other financing sources (uses)	<u>(169,300)</u>	<u>(169,300)</u>	<u>(185,438)</u>	<u>(16,138)</u>
Net change in fund balance before Extraordinary Item	(91,643)	(91,643)	(128,019)	(36,376)
Extraordinary Item:				
Gain/loss on transfer of assets and liabilities to successor agency			<u>(1,448,456)</u>	<u>(1,448,456)</u>
Net change in fund balance	(91,643)	(91,643)	(1,576,475)	(1,484,832)
Fund balance, July 1, 2011	<u>1,576,475</u>	<u>1,576,475</u>	<u>1,576,475</u>	
Fund balance, June 30, 2012	<u>\$ 1,484,832</u>	<u>\$ 1,484,832</u>	<u>\$ -</u>	<u>\$ (1,484,832)</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, 2012

	Special Revenue Funds			
	Gas Tax Fund	Bikepath Fund	Park Grant Fund	Land Management Fund
ASSETS				
Cash and investments	\$ 326,836	\$ 99,180	\$ -	\$ -
Total assets	<u>\$ 326,836</u>	<u>\$ 99,180</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ 27,989	\$ 5,567
Total liabilities			<u>27,989</u>	<u>5,567</u>
Fund Balances:				
Restricted	326,836	99,180		
Unassigned			(27,989)	(5,567)
Total fund balances (deficit)	<u>326,836</u>	<u>99,180</u>	<u>(27,989)</u>	<u>(5,567)</u>
Total liabilities and fund balances	<u>\$ 326,836</u>	<u>\$ 99,180</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds

Equipment Replacement Fund	Homeland Security Fund	FEMA Fund	Façade Improvement Program Fund	CA Energy Commission Fund
\$ -	\$ 2,006	\$ 10,679	\$ -	\$ -
<u>\$ -</u>	<u>\$ 2,006</u>	<u>\$ 10,679</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 832	\$ -	\$ -	\$ 2,661	\$ 9,055
<u>832</u>			<u>2,661</u>	<u>9,055</u>
	2,006	10,679		
<u>(832)</u>			<u>(2,661)</u>	<u>(9,055)</u>
<u>(832)</u>	<u>2,006</u>	<u>10,679</u>	<u>(2,661)</u>	<u>(9,055)</u>
<u>\$ -</u>	<u>\$ 2,006</u>	<u>\$ 10,679</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

CITY OF HOLTVILLE

COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES

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

June 30, 2012

	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	\$ 40,330	\$ -	\$ -	\$ -	\$ -
Total assets	<u>\$ 40,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	\$ 4,385	\$ 56,740	\$ 5,109	\$ 17,081
Total liabilities		<u>4,385</u>	<u>56,740</u>	<u>5,109</u>	<u>17,081</u>
Fund Balances:					
Restricted	40,330				
Unassigned		(4,385)	(56,740)	(5,109)	(17,081)
Total fund balances (deficit)	<u>40,330</u>	<u>(4,385)</u>	<u>(56,740)</u>	<u>(5,109)</u>	<u>(17,081)</u>
Total liabilities and fund balances	<u>\$ 40,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Projects Funds		Debt Service Fund	
ARRA Fund	FEMA Water Tank Fund	Redevelopment Debt Service Fund	Totals
\$ -	\$ 18,069	\$ -	\$ 497,100
\$ -	\$ 18,069	\$ -	\$ 497,100
\$ 2,850	\$ -	\$ -	\$ 132,269
2,850			132,269
(2,850)	18,069		497,100 (132,269)
(2,850)	18,069		364,831
\$ -	\$ 18,069	\$ -	\$ 497,100

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, 2012

	Special Revenue Funds			
	Gas Tax Fund	Bikepath Fund	Park Grant Fund	Land Management Fund
Revenues Collected:				
Taxes and other assessments	\$ 186,705	\$ -	\$ -	\$ -
Investment earnings	2,000	529		
Intergovernmental		11,782		
Total revenues collected	<u>188,705</u>	<u>12,311</u>		
Expenditures Paid:				
Public safety				
Public works				
Community development				
Debt service:				
Principal				
Interest				
Capital outlay				
Total expenditures paid				
Excess of revenues collected over (under) expenditures paid	<u>188,705</u>	<u>12,311</u>		
Other Financing Sources (Uses):				
Transfers in				
Transfers out	(175,000)			
Total other financing sources (uses)	<u>(175,000)</u>			
Net changes in fund balances before Extraordinary Item	13,705	12,311		
Extraordinary Item				
Gain/loss on transfer of assets and liabilities to successor agency				
Net changes in fund balances	13,705	12,311		
Fund balances (deficit), July 1, 2011	<u>313,131</u>	<u>86,869</u>	<u>(27,989)</u>	<u>(5,567)</u>
Fund balances (deficit), June 30, 2012	<u>\$ 326,836</u>	<u>\$ 99,180</u>	<u>\$ (27,989)</u>	<u>\$ (5,567)</u>

Special Revenue Funds				
Equipment Replacement Fund	Homeland Security Fund	FEMA Fund	Façade Improvement Program Fund	CA Energy Commission Fund
\$ -	\$ -	\$ -	\$ -	\$ -
	27,378	86	1	
	27,378	86	1,653	
	25,321	63,021	5,551	
	25,321	63,021	5,551	
	2,057	(62,935)	(3,897)	
	2,057	(62,935)	(3,897)	
(832)	(51)	73,614	1,236	(9,055)
<u>\$ (832)</u>	<u>\$ 2,006</u>	<u>\$ 10,679</u>	<u>\$ (2,661)</u>	<u>\$ (9,055)</u>

(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, 2012

	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	244	116			
Intergovernmental			17,723		75,067
Total revenues collected	244	116	17,723		75,067
Expenditures Paid:					
Public safety					
Public works					
Community development			37,200	4,309	
Debt service:					
Principal					
Interest					
Capital outlay					3,567
Total expenditures paid			37,200	4,309	3,567
Excess of revenues collected over (under) expenditures paid	244	116	(19,477)	(4,309)	71,500
Other Financing Sources (Uses):					
Transfers in					
Transfers out					
Total other financing sources (uses)					
Net changes in fund balances before Extraordinary Item	244	116	(19,477)	(4,309)	71,500
Extraordinary Item					
Gain/loss on transfer of assets and liabilities to successor agency					
Net changes in fund balances	244	116	(19,477)	(4,309)	71,500
Fund balances (deficit), July 1, 2011	40,086	(4,501)	(37,263)	(800)	(88,581)
Fund balances (deficit), June 30, 2012	\$ 40,330	\$ (4,385)	\$ (56,740)	\$ (5,109)	\$ (17,081)

<u>Capital Projects Funds</u>		<u>Debt Service Fund</u>	
<u>ARRA Fund</u>	<u>FEMA Water Tank Fund</u>	<u>Redevelopment Debt Service Fund</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ 186,705
	210,512		2,976
			344,115
	210,512		533,796
			25,321
			63,021
			47,060
		125,000	125,000
		171,100	171,100
	192,443		196,010
	192,443	296,100	627,512
	18,069	(296,100)	(93,716)
	53,527	760,745	814,272
			(175,000)
	53,527	760,745	639,272
	71,596	464,645	545,556
		(469,039)	(469,039)
	71,596	(4,394)	76,517
(2,850)	(53,527)	4,394	288,314
<u>\$ (2,850)</u>	<u>\$ 18,069</u>	<u>\$ -</u>	<u>\$ 364,831</u>

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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, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:			
Taxes and other assessments	\$ 125,000	\$ 186,705	\$ 61,705
Investment earnings		2,000	2,000
Total revenues collected	125,000	188,705	63,705
Other Financing Sources (Uses):			
Transfers out	(175,000)	(175,000)	
Total other financing sources (uses)	(175,000)	(175,000)	
Net change in fund balance	(50,000)	13,705	63,705
Fund balance, July 1, 2011	313,131	313,131	
Fund balance, June 30, 2012	\$ 263,131	\$ 326,836	\$ 63,705

CITY OF HOLTVILLE

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

For the Fiscal Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:			
Investment earnings	\$ -	\$ 529	\$ 529
Other revenues collected	13,000	11,782	(1,218)
Total revenues collected	13,000	12,311	(689)
Expenditures Paid:			
Capital outlay	33,700		33,700
Total expenditures paid	33,700		33,700
Net change in fund balance	(20,700)	12,311	33,011
Fund balance, July 1, 2011	86,869	86,869	
Fund balance, June 30, 2012	\$ 66,169	\$ 99,180	\$ 33,011

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, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:			
Investment earnings	\$ -	\$ 116	\$ 116
Total revenues collected		116	116
Expenditures Paid:			
Capital outlay	43,909		43,909
Total expenditures paid	43,909		43,909
Excess of revenues collected over (under) expenditures paid	(43,909)	116	44,025
Net change in fund balance	(43,909)	116	44,025
Fund balance, July 1, 2011	(4,501)	(4,501)	
Fund balance, June 30, 2012	\$ (48,410)	\$ (4,385)	\$ 44,025

CITY OF HOLTVILLESTATEMENT 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, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:			
Investment earnings	\$ -	\$ -	\$ -
 Total revenues collected			
Expenditures Paid:			
Debt service:			
Principal	120,000	125,000	(5,000)
Interest	351,500	171,100	180,400
 Total expenditures paid	471,500	296,100	175,400
 Excess of revenues collected over (under) expenditures paid	(471,500)	(296,100)	175,400
Other Financing Sources (Uses):			
Transfers in	471,500	760,745	289,245
 Total other financing sources (uses)	471,500	760,745	289,245
 Net change in fund balance before Extraordinary Item		464,645	464,645
Extraordinary Item:			
Gain/loss on transfer of assets and liabilities to successor agency		(469,039)	(469,039)
 Net change in fund balance		(4,394)	(4,394)
 Fund balance, July 1, 2011	4,394	4,394	
 Fund balance, June 30, 2012	\$ 4,394	\$ -	\$ (4,394)

CITY OF HOLTVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
ARISING FROM CASH TRANSACTIONS
June 30, 2012

	<u>Employee Health Fund</u>	<u>Public Liabilities Fund</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and investments	\$ -	\$ 5,383	\$ 5,383
Total assets	<u> </u>	<u>5,383</u>	<u>5,383</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>5,383</u>	<u>(93,396)</u>
Total net assets (deficit)	<u>\$ (98,779)</u>	<u>\$ 5,383</u>	<u>\$ (93,396)</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, 2012

	<u>Employee Health Fund</u>	<u>Public Liabilities Fund</u>	<u>Totals</u>
Non-Operating Revenues Collected			
Investment earnings	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ 21</u>
Total non-operating revenues collected		<u>21</u>	<u>21</u>
Changes in net assets		21	21
Net assets (deficit), beginning of the fiscal year	<u>(98,779)</u>	<u>5,362</u>	<u>(93,417)</u>
Net assets (deficit), end of the fiscal year	<u><u>\$ (98,779)</u></u>	<u><u>\$ 5,383</u></u>	<u><u>\$ (93,396)</u></u>

CITY OF HOLTVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
ARISING FROM CASH TRANSACTIONS
For the Fiscal Year Ended June 30, 2012

	<u>Employee Health Fund</u>	<u>Public Liabilities Fund</u>	<u>Totals</u>
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash flows from investing activities:			
Interest received		<u>21</u>	<u>21</u>
Increase (decrease) in cash and cash equivalents		21	21
Cash and cash equivalents, beginning of fiscal year		<u>5,362</u>	<u>5,362</u>
Cash and cash equivalents, end of fiscal year	<u>\$ -</u>	<u>\$ 5,383</u>	<u>\$ 5,383</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLTVILLE
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2012

	RDA Low/Mod Successor Agency Fund	RDA Successor Agency Fund	Totals
Assets			
Cash and investments	\$ 20,476	\$ -	\$ 20,476
Cash and investments with fiscal agents		469,039	469,039
Restricted cash and investments	1,012,030	1,615,488	2,627,518
Deferred charges		252,056	252,056
Notes receivable	270,000	79,308	349,308
Receivable from City of Holtville		306,759	306,759
Receivable from other trust funds	376,813		376,813
Capital assets, not being depreciated		437,894	437,894
Total assets	1,679,319	3,160,544	4,839,863
Liabilities			
Payable to City of Holtville		219,687	219,687
Payable to other trust funds		376,813	376,813
Long-term debt, due within one year	350,000	130,000	480,000
Long-term debt, due in more than one year		6,375,000	6,375,000
Total liabilities	350,000	7,101,500	7,451,500
Net Assets			
Restricted for debt service		469,039	469,039
Unrestricted	1,329,319	(4,409,995)	(3,080,676)
Total net assets (deficits)	\$ 1,329,319	\$ (3,940,956)	\$ (2,611,637)

CITY OF HOLTVILLE
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012

	RDA Low/Mod Successor Agency Fund	RDA Successor Agency Fund	Totals
Additions:			
Investment revenue	\$ 4,167	\$ 3,116	\$ 7,283
Taxes and assessments		278,943	278,943
Net assets received upon dissolution of redevelopment agency	1,364,290	(3,876,866)	(2,512,576)
Total additions	1,368,457	(3,594,807)	(2,226,350)
Deductions:			
Administration	5,418	207,124	212,542
Interest expense		168,599	168,599
Amortization expense		4,146	4,146
Total deductions	5,418	379,869	385,287
Change in net assets before transfers	1,363,039	(3,974,676)	(2,611,637)
Transfers:			
Transfers in		33,720	33,720
Transfers out	(33,720)		(33,720)
Total transfers	(33,720)	33,720	
Change in net assets	1,329,319	(3,940,956)	(2,611,637)
Net Assets - July 1, 2011			
Net Assets (Deficit) - June 30, 2012	\$ 1,329,319	\$ (3,940,956)	\$ (2,611,637)