

**CITY OF HOLTVILLE**

**FINANCIAL STATEMENTS**

June 30, 2013

**CITY OF HOLTVILLE**  
**TABLE OF CONTENTS**  
June 30, 2013

---

**Independent Auditor’s Report on Financial Statements ..... 1**

**Basic Financial Statements:**

Government-Wide Financial Statements

Statement of Net Position Arising From Cash Transactions..... 5

Statement of Activities Arising From Cash Transactions ..... 6

Fund Financial Statements

Statement of Assets, Liabilities, and Fund Balances  
Arising from Cash Transactions – Governmental Funds..... 6

Reconciliation of the Statement of Assets, Liabilities, and  
Fund Balances Arising From Cash Transactions – Governmental Funds  
to the Statement of Net Position Arising From Cash Transactions..... 11

Statement of Revenues Collected, Expenditures Paid, and  
Changes in Fund Balances Arising from Cash Transactions – Governmental Funds..... 12

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..... 14

Combining Statement of Assets, Liabilities, and Net Position Arising  
from Cash Transactions – Proprietary Funds..... 15

Combining Statement of Revenues Collected, Expenses Paid, and Changes in Net Position  
Arising from Cash Transactions – Proprietary Funds..... 16

Combining Statement of Cash Flows Arising from Cash Transactions – Proprietary Funds ..... 17

Statement of Net Position Arising from Cash Transactions – Fiduciary Funds..... 19

Statement of Changes in Fiduciary Net Position Arising from Cash Transactions – Fiduciary Funds ..... 20

Notes to Basic Financial Statements..... 21

**Required Supplemental Information**

General Fund – Schedule of Revenues Collected, Expenditures Paid,  
and Changes in Fund Balance Arising from Cash Transactions – Budget and Actual ..... 47

Local Transit Authority Fund – Schedule of Revenues Collected, Expenditures Paid,  
and Changes in Fund Balance Arising from Cash Transactions – Budget and Actual ..... 49

**CITY OF HOLTVILLE**

**TABLE OF CONTENTS**

June 30, 2013

---

**Required Supplemental Information (Continued)**

Local Transportation Fund – Schedule of Revenues Collected, Expenditures Paid,  
and Changes in Fund Balance Arising from Cash Transactions – Budget and Actual ..... 50

**Other Supplemental Information**

Non-major Governmental Funds

Combining Statement of Assets, Liabilities, and Fund Balances  
Arising from Cash Transactions – Non-Major Funds ..... 51

Combining Statement of Revenues Collected, Expenditures Paid, and  
Changes in Fund Balances Arising from Cash Transactions – Non-Major Funds ..... 56

Schedule of Revenues Collected, Expenditures Paid, and Changes in Fund Balance  
Arising from Cash Transactions – Budget and Actual:

Gas Tax Special Revenue Fund..... 61  
Bikepath Special Revenue Fund..... 62

Internal Service Funds

Combining Statement of Assets, Liabilities, and Net Position  
Arising from Cash Transactions ..... 63

Combining Statement of Revenues Collected, Expenses Paid, and  
Changes in Net Position Arising from Cash Transactions..... 64

Combining Statement of Cash Flows Arising from Cash Transactions..... 65

Private-Purpose Trust Funds

Combining Statement of Net Position ..... 66

Combining Statement of Changes in Net Position ..... 67

## **BASIC FINANCIAL STATEMENTS**



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES  
433 N. CAMDEN DR. SUITE 730  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.670.1689  
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES  
5800 E. HANNUM AVE, SUITE E  
CULVER CITY, CA 90230  
TEL: 310.670.2745  
FAX: 310.670.1689  
www.mlhcpas.com

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Holtville (City), California, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note 1; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Holtville, California, as of June 30, 2013, and the respective changes in financial position 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.

## **Emphasis of Matter**

As discussed in Note 1 of the notes to the financial statements effective July 1, 2012, the City of Holtville adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resource, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

As discussed in Note 1 of the notes to the 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. Our opinion is modified with respect to this matter as the financial statements are in conformity with the other comprehensive basis of accounting other than accounting principles generally accepted in the United States.

The readers attention should be brought to Note 17, referring to the City's financial condition as of June 30, 2013.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis and the budgetary comparison schedules for the Community Development Block Grant Special Revenue Fund and the 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. There were no budgets adopted for the Community Development Block Grant Special Revenue Fund and the Home Grant Special Revenue Fund.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules of the General Fund on pages 47 and 48, Local Transit Authority Special Revenue Fund on page 49, and Local Transportation 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Holtville's basic financial statements. The combining nonmajor funds financial statements, nonmajor fund 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 funds financial statements, nonmajor fund 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 our 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 financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issue our report dated March 31, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



MOSS, LEVY & HARTZHEIM, LLP  
Culver City, California  
March 31, 2014

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF HOLTVILLE**  
**STATEMENT OF NET POSITION**  
**ARISING FROM CASH TRANSACTIONS**  
**June 30, 2013**

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 1,441,044	\$ 745,372	\$ 2,186,416
Cash and investments with fiscal agent		1,502,594	1,502,594
Restricted cash and investments		219,387	219,387
Internal balances	(628,487)	628,487	
Land held for resale	219,687		219,687
Loans receivable, net of allowance	2,396,023		2,396,023
Deferred charges, net of accumulated amortization		32,738	32,738
<b>Total Assets</b>	<b>3,428,267</b>	<b>3,128,578</b>	<b>6,556,845</b>
<b>Liabilities:</b>			
Noncurrent liabilities:			
Due within one year		1,961,000	1,961,000
Due in more than one year	197,145	7,183,746	7,380,891
<b>Total Liabilities</b>	<b>197,145</b>	<b>9,144,746</b>	<b>9,341,891</b>
<b>Net Postion:</b>			
Restricted for:			
Debt service		1,721,981	1,721,981
Other purposes	3,620,340		3,620,340
Unrestricted	(389,218)	(7,738,149)	(8,127,367)
<b>Total Net Position (Deficit)</b>	<b>\$ 3,231,122</b>	<b>\$ (6,016,168)</b>	<b>\$ (2,785,046)</b>

See accompanying notes to basic financial statements

**CITY OF HOLTVILLE**  
**STATEMENT OF ACTIVITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ 1,157,322	\$ 6,039	\$ 17,717	\$ -
Public safety	1,429,925	21,447	261,658	
Public works	3,921,675	30,171		3,029,111
Community development	34,172	65,137	51,895	
Total Governmental Activities	6,543,094	122,794	331,270	3,029,111
Business-type Activities:				
Water	1,190,061	1,627,338		
Sewer	1,674,809	1,425,717		
Solid waste	217,012	237,442		
Total Business-type Activities	3,081,882	3,290,497		
Total Primary Government	\$ 9,624,976	\$ 3,413,291	\$ 331,270	\$ 3,029,111

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 Position

Net Position (Deficit) at Beginning of Fiscal Year

Net Position (Deficit) at End of Fiscal Year

See accompanying notes to basic financial statements

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activities	Totals
\$ (1,133,566)	\$ -	\$ (1,133,566)
(1,146,820)		(1,146,820)
(862,393)		(862,393)
82,860		82,860
<u>(3,059,919)</u>		<u>(3,059,919)</u>
	437,277	437,277
	(249,092)	(249,092)
	20,430	20,430
	<u>208,615</u>	<u>208,615</u>
<u>(3,059,919)</u>	<u>208,615</u>	<u>(2,851,304)</u>
240,208		240,208
454,480		454,480
475,225		475,225
136,337		136,337
32,049		32,049
461,838		461,838
21,395	7,338	28,733
139,631		139,631
206,497	(206,497)	
<u>2,167,660</u>	<u>(199,159)</u>	<u>1,968,501</u>
(892,259)	9,456	(882,803)
<u>4,123,381</u>	<u>(6,025,624)</u>	<u>(1,902,243)</u>
<u>\$ 3,231,122</u>	<u>\$ (6,016,168)</u>	<u>\$ (2,785,046)</u>

**CITY OF HOLTVILLE**  
**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES**  
**ARISING FROM CASH TRANSACTIONS -**  
**GOVERNMENTAL FUNDS**  
June 30, 2013

	General Fund	Special Revenue Funds	
		Community Development Block Grant	Home Grant
<b>ASSETS</b>			
Cash and investments	\$ 186,060	\$ 390,498	\$ -
Due from other funds	65,717		
Receivable from successor agency trust fund	219,687		
Loans receivable		1,143,444	4,539,486
Total assets	<u>\$ 471,464</u>	<u>\$ 1,533,942</u>	<u>\$ 4,539,486</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Due to other funds	\$ 43,249	\$ -	\$ 30,667
Unearned revenue		997,284	4,539,486
Total liabilities	<u>43,249</u>	<u>997,284</u>	<u>4,570,153</u>
<b>Fund Balances:</b>			
Nonspendable	219,687		
Restricted		536,658	
Unassigned	208,528		(30,667)
Total fund balances (deficits)	<u>428,215</u>	<u>536,658</u>	<u>(30,667)</u>
Total liabilities and fund balances	<u>\$ 471,464</u>	<u>\$ 1,533,942</u>	<u>\$ 4,539,486</u>

See accompanying notes to basic financial statements

Special Revenue Funds		Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Local Transit Authority Fund	Local Transportation Fund	FEMA Water Tank Fund		
\$ 451,132	\$ 69,675	\$ -	\$ 343,679	\$ 1,441,044
				65,717
				219,687
				5,682,930
<u>\$ 451,132</u>	<u>\$ 69,675</u>	<u>\$ -</u>	<u>\$ 343,679</u>	<u>\$ 7,409,378</u>
\$ -	\$ -	\$ 585,238	\$ 35,050	\$ 694,204
				5,536,770
		585,238	35,050	6,230,974
451,132	69,675	(585,238)	343,679	219,687
			(35,050)	1,401,144
				(442,427)
<u>451,132</u>	<u>69,675</u>	<u>(585,238)</u>	<u>308,629</u>	<u>1,178,404</u>
<u>\$ 451,132</u>	<u>\$ 69,675</u>	<u>\$ -</u>	<u>\$ 343,679</u>	<u>\$ 7,409,378</u>

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF HOLTVILLE**

**RECONCILIATION OF THE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION ARISING FROM CASH TRANSACTIONS  
June 30, 2013**

---

Fund balances of governmental funds \$ 1,178,404

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

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

Unearned revenue, loans receivable 5,536,770

Allowance for an uncollectible loan has been set up in the amount of \$3,286,907 for a certain loan receivable.

(3,286,907)

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

Claims payable (139,917)

Compensated absences (57,228)

Net position of governmental activities \$ 3,231,122

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, 2013

	Special Revenue Funds		
	General Fund	Community Development Block Grant	Home Grant
<b>Revenues Collected:</b>			
Taxes	\$ 1,186,289	\$ -	\$ -
Licenses, permits, and impact fees	7,460		
Fines and penalties	2,687		
Investment earnings	8,734	9,638	83
Intergovernmental	723,497		
Charges for current services	112,647		
Other revenues collected	141,699		
Program income		2,599	9,808
Total revenues collected	2,183,013	12,237	9,891
<b>Expenditures Paid:</b>			
General government	1,055,582		
Public safety	1,401,456		
Public works	337,188		
Community development		11,709	
Capital outlay			
Total expenditures paid	2,794,226	11,709	
Excess of revenues collected over (under) expenditures paid	(611,213)	528	9,891
<b>Other Financing Sources (Uses):</b>			
Loss on sale of land held for resale		(84,085)	
Transfers in	504,076	214	180
Transfers out	(105,342)	(180)	(95)
Total other financing sources (uses)	398,734	(84,051)	85
Net changes in fund balances	(212,479)	(83,523)	9,976
Fund balances (deficits), July 1, 2012	640,694	620,181	(40,643)
Fund balances (deficits), June 30, 2013	\$ 428,215	\$ 536,658	\$ (30,667)

See accompanying notes to basic financial statements

Special Revenue Funds				
Local Transit Authority Fund	Local Transportation Fund	FEMA Water Tank Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 152,010	\$ 1,338,299
				7,460
				2,687
1,225			1,715	21,395
541,985	218,200	2,256,723	79,746	3,820,151
				112,647
				141,699
				12,407
543,210	218,200	2,256,723	233,471	5,456,745
				1,055,582
			21,137	1,422,593
			50,069	387,257
			9,115	20,824
655,564	5,257	2,860,030	11,571	3,532,422
655,564	5,257	2,860,030	91,892	6,418,678
(112,354)	212,943	(603,307)	141,579	(961,933)
				(84,085)
65,427	613,865		67,759	1,251,521
(785,332)			(247,471)	(1,138,420)
(719,905)	613,865		(179,712)	29,016
(832,259)	826,808	(603,307)	(38,133)	(932,917)
1,283,391	(757,133)	18,069	346,762	2,111,321
\$ 451,132	\$ 69,675	\$ (585,238)	\$ 308,629	\$ 1,178,404

**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, 2013

---

Net change in fund balances - total governmental funds \$ (932,917)

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 unearned 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. (25,648)

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 position.

Decrease in claims payable (12,214)

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. (14,876)

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. 93,396

Change in net position of governmental activities \$ (892,259)

See accompanying notes to basic financial statements

**CITY OF HOLTVILLE**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION**  
**ARISING FROM CASH TRANSACTIONS**  
**June 30, 2013**

	Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Solid Waste Fund		
<b>ASSETS</b>					
Current Assets:					
Cash and investments	\$ 94,310	\$ 651,062	\$ -	\$ 745,372	\$ -
Cash and investments with fiscal agent	320,750	1,181,844		1,502,594	
Restricted cash and investments	219,387			219,387	
Due from other funds	628,487	151,418		779,905	
Total current assets	1,262,934	1,984,324		3,247,258	
Non-Current Assets:					
Deferred charges, net of accumulated amortization		32,738		32,738	
Total non-current assets		32,738		32,738	
Total assets	1,262,934	2,017,062		3,279,996	
<b>LIABILITIES</b>					
Current Liabilities:					
Due to other funds			151,418	151,418	
Current portion of long-term liabilities	256,000	1,705,000		1,961,000	
Total current liabilities	256,000	1,705,000	151,418	2,112,418	
Long-Term Liabilities:					
Compensated absences	32,915	25,432		58,347	
Bonds payable	5,490,399	1,635,000		7,125,399	
Total long-term liabilities	5,523,314	1,660,432		7,183,746	
Total liabilities	5,779,314	3,365,432	151,418	9,296,164	
<b>NET POSITION (DEFICIT)</b>					
Restricted for debt service	540,137	1,181,844		1,721,981	
Unrestricted	(5,056,517)	(2,530,214)	(151,418)	(7,738,149)	
Total net position (deficit)	\$ (4,516,380)	\$ (1,348,370)	\$ (151,418)	\$ (6,016,168)	\$ -

See accompanying notes to basic financial statements

**CITY OF HOLTVILLE**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENSES PAID, AND CHANGES IN NET POSITION**  
**ARISING FROM CASH TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2013**

	Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Solid Waste Fund		
<b>Operating Revenues Collected:</b>					
Charges for services	\$ 1,627,338	\$ 1,425,717	\$ 237,442	\$ 3,290,497	\$ -
Total operating revenues collected	1,627,338	1,425,717	237,442	3,290,497	
<b>Operating Expenses Paid:</b>					
Salaries and wages	311,531	239,008		550,539	
Payroll expenses	125,915	104,733		230,648	
Training, safety, and clothing	10,671	8,680		19,351	
Materials, supplies, and services	478,064	304,134	217,012	999,210	
Total operating expenses paid	926,181	656,555	217,012	1,799,748	
Operating income (loss) arising from cash transactions	701,157	769,162	20,430	1,490,749	
<b>Non-Operating Revenues Collected</b>					
<b>(Expenses Paid):</b>					
Investment earnings	2,884	4,454		7,338	
Interest expense	(263,880)	(158,291)		(422,171)	
Amortization expense		(65,475)		(65,475)	
Capital outlay		(794,488)		(794,488)	
Total non-operating revenues collected (expenses paid)	(260,996)	(1,013,800)		(1,274,796)	
Income (loss) arising from cash transactions before transfers	440,161	(244,638)	20,430	215,953	
<b>Transfers:</b>					
Transfers in	11,431	9,085		20,516	98,779
Transfers out	(145,838)	(74,602)	(6,573)	(227,013)	(5,383)
Changes in net position	305,754	(310,155)	13,857	9,456	93,396
Net position (deficit), beginning of the fiscal year	(4,822,134)	(1,038,215)	(165,275)	(6,025,624)	(93,396)
Net position (deficit), end of the fiscal year	\$ (4,516,380)	\$ (1,348,370)	\$ (151,418)	\$ (6,016,168)	\$ -

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, 2013**

	Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Solid Waste Fund		
<b>Cash Flows from Operating Activities:</b>					
Receipts from user charges	\$ 1,627,338	\$ 1,425,717	\$ 237,442	\$ 3,290,497	\$ -
Interfund loan receipts (disbursements)	(585,238)	(151,418)	(13,857)	(750,513)	(98,779)
Payments to suppliers	(614,650)	(417,547)	(217,012)	(1,249,209)	
Payments for salaries	(307,040)	(233,204)		(540,244)	
Net Cash Provided (Used) by Operating Activities	120,410	623,548	6,573	750,531	(98,779)
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets		(794,488)		(794,488)	
Repayment to successor agency trust fund	(191,860)			(191,860)	
Principal paid	(244,000)	(40,000)		(284,000)	
Interest paid	(263,880)	(158,291)		(422,171)	
Net Cash Provided (Used) for Capital and Related Financing Activities	(699,740)	(992,779)		(1,692,519)	
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Transfers received	11,431	9,085		20,516	98,779
Transfers paid	(145,838)	(74,602)	(6,573)	(227,013)	(5,383)
Net Cash Provided (Used) from Non-Capital Financing Activities	(134,407)	(65,517)	(6,573)	(206,497)	93,396
<b>Cash Flows from Investing Activities:</b>					
Interest received	2,884	4,454		7,338	
Increase (decrease) in cash and cash equivalents	(710,853)	(430,294)		(1,141,147)	(5,383)
Cash and cash equivalents, beginning of fiscal year	1,345,300	2,263,200		3,608,500	5,383
Cash and cash equivalents, end of fiscal year	\$ 634,447	\$ 1,832,906	\$ -	\$ 2,467,353	\$ -
<b>Reconciliation to Statement of Net Position:</b>					
Cash and investments	\$ 94,310	\$ 651,062	\$ -	\$ 745,372	\$ -
Cash and investments with fiscal agents	320,750	1,181,844		1,502,594	
Restricted cash and investments	219,387			219,387	
Total cash and cash equivalents, end of fiscal year	\$ 634,447	\$ 1,832,906	\$ -	\$ 2,467,353	\$ -

(Continued)

**CITY OF HOLTVILLE**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**ARISING FROM CASH TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2013**

(Continued)

	Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Solid Waste Fund		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 701,157	\$ 769,162	\$ 20,430	\$ 1,490,749	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in operating assets and liabilities:					
(Increase) decrease in due from other funds	(585,238)	(151,418)		(736,656)	
Increase (decrease) in due to other funds			(13,857)	(13,857)	(98,779)
Increase (decrease) in compensated absences	4,491	5,804		10,295	
Net Cash Provided (Used) by Operating Activities	<u>\$ 120,410</u>	<u>\$ 623,548</u>	<u>\$ 6,573</u>	<u>\$ 750,531</u>	<u>\$ (98,779)</u>
<b>Noncash Capital and Related Financing Activities</b>					
Amortization	\$ -	\$ 65,475	\$ -	\$ 65,475	\$ -

See accompanying notes to basic financial statements

**CITY OF HOLTVILLE**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET POSITION ARISING FROM CASH TRANSACTIONS**  
**June 30, 2013**

---

	Private-Purpose Trust Fund
	<u>                    </u>
<b>ASSETS</b>	
Cash and investments	\$ 158,610
Cash and investments with fiscal agents	469,039
Restricted cash and investments	2,332,439
Deferred charges	242,106
Notes receivable	351,739
Capital assets, not being depreciated	437,894
	<u>                    </u>
Total assets	<u>3,993,168</u>
<b>LIABILITIES</b>	
Payable to City of Holtville	219,687
Long-term debt, due within one year	135,000
Long-term debt, due in more than one year	6,240,000
	<u>                    </u>
Total liabilities	<u>6,596,028</u>
<b>NET POSITION (DEFICIT)</b>	
Unrestricted	<u>(2,602,860)</u>
Total net position (deficit)	<u><u>\$ (2,602,860)</u></u>

See accompanying notes to basic financial statements

**CITY OF HOLTVILLE****FIDUCIARY FUNDS****STATEMENT OF CHANGE IN FIDUCIARY NET POSITION ARISING FROM CASH TRANSACTIONS**For the Fiscal Year Ended June 30, 2013

---

	Private-Purpose Trust Fund
<b>Additions:</b>	
Investment revenue	\$ 13,525
Tax and assessments	619,950
	<hr/>
Total Additions	633,475
	<hr/>
<b>Deductions:</b>	
Administration	228,136
Interest expense	334,445
Amortization expense	9,950
Contributions to other agencies	402,167
	<hr/>
Total deductions	974,698
	<hr/>
Change in net position	(341,223)
	<hr/>
Net Position - July 1, 2012	(2,611,637)
Prior Period Adjustments	350,000
	<hr/>
Net Position - July 1, 2012, Restated	(2,261,637)
	<hr/>
Net Position (Deficit) - June 30, 2013	\$ (2,602,860)
	<hr/> <hr/>

See accompanying notes to basic financial statements

**NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Reporting Entity**

The City of Holtville (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 Unit Disclosures**

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

**C. Financial Statement Presentation**

**Government-wide Statements:** The Statement of Net Position 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 position as presented in these statements to the net position 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 Position, a Statement of Revenues Collected, Expenses Paid, and Changes in Net Position, 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 Position and Statement of Changes in Net Position.

**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 Position 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 Special Revenue 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 projects(s).

The **FEMA Water Tank Special Revenue Fund** is used to account for the sole purpose of tracking the construction to replace the City's 1.5 million gallon water tank that was destroyed in an April, 2010 earthquake.

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

**E. Fund Accounting (Continued)**

The City reported the following major proprietary funds:

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

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

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

Additionally, the City reported the following fund type:

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

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 unearned 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 Statements Number 20 and 62, 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, FEMA Water Tank Fund, Park Grant Fund, Land Management Fund, Equipment Replacement Fund, Homeland Security Fund, FEMA Fund, Façade Improvement Program Fund, CA Energy Commission Fund, CDBG Grant Sewer Study Fund, Business Assistance Loan Fund, BECC Grant Fund, ARRA Fund, Prop 42 Transportation Fund, or Prop 1B Street 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 Position and Fund Balance**

In the Government-wide financial statements and proprietary fund financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Restricted net position represent net position 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 position are temporarily restricted (ultimately expendable assets). All other net position is considered unrestricted.

At June 30, 2013, the City had recorded restricted net position in the Governmental Activities and Business-type Activities as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Restricted for:		
Debt service	\$ -	\$ 1,721,981
Community development	1,533,942	
HOME grant program	1,221,912	
Transportation	561,296	
Streets and roads	303,190	
Total Restricted	<u>\$ 3,620,340</u>	<u>\$ 1,721,981</u>

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

**O. Net Position 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, 2013

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

**O. Net Position and Fund Balance (Continued)**

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2013 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	Local Transportation Special Revenue Fund	FEMA Water Tank Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Nonspendable:</b>								
Advances	\$ 219,687	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,687
<i>Total Nonspendable</i>	<i>219,687</i>							<i>219,687</i>
<b>Restricted for:</b>								
Community Development Transportation		536,658						536,658
Streets and Roads				451,132	69,675		40,489	561,296
<i>Total Restricted</i>		<i>536,658</i>		<i>451,132</i>	<i>69,675</i>		<i>343,679</i>	<i>1,401,144</i>
Unassigned	208,528		(30,667)			(585,238)	(35,050)	(442,427)
<i>Total Fund Balances</i>	<i>\$ 428,215</i>	<i>\$ 536,658</i>	<i>\$ (30,667)</i>	<i>\$ 451,132</i>	<i>\$ 69,675</i>	<i>\$ (585,238)</i>	<i>\$ 308,629</i>	<i>\$ 1,178,404</i>

**P. New Accounting Pronouncements**

The City has implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 60, 61, 62, and 63 during the fiscal year ended June 30, 2013.

**Governmental Accounting Standards Board Statement No. 60**

Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to Service Concession Arrangements. This Statement improves consistency in reporting and enhances the comparability of the accounting and financial reporting of Service Concession Arrangements among state and local governments. Implementation of the GASB Statement No. 60, did not have an impact on the City's financial statements for the fiscal year ended June 30, 2013.

**Governmental Accounting Standards Board Statement No. 61**

For the fiscal year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 61 "The Financial Reporting Entity: Omnibus." This statement is effective for periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for component units. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the reporting of equity interests in legally separate organizations. Implementation of the GASB Statement No. 61, did not have an impact on the City's financial statements for the fiscal year ended June 30, 2013.

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

**P. New Accounting Pronouncements (Continued)**

Governmental Accounting Standards Board Statement No. 62

For the fiscal year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in *Pre-November 30, 1989 FASB and AICPA Pronouncements.*” This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This Statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. Implementation of the GASB Statement No. 62, did not have an impact on the City’s financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 63

For the fiscal year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows or resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities should be displayed. This Statement also specifies how net position, no longer referred to as net position, should be displayed. Implementation of the Statement and the impact on the City’s financial statements are explained in Note 1 O – Net Position and fund balance.

**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 position.

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

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

<u>Long-Term Debt Obligations</u>	
Claims Payable	\$ 197,145
	<u>\$ 197,145</u>

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Deficit Fund Balances and Retained Earnings**

Deficit retained earnings of \$4,516,380, \$1,348,370, and \$151,418 exist in the Water Fund, Sewer Fund, and Solid Waste Fund, respectively. These deficits are due to the City not capitalizing capital outlay expenses in the Enterprise Funds. There are also deficit fund balances of \$30,667, \$585,238, \$1,414, \$9,837, \$2,661, \$13,461, and \$7,677 in the Home Grant Special Revenue Fund, FEMA Water Tank Special Revenue Fund, Homeland Security Special Revenue Fund, FEMA Special Revenue Fund, Façade Improvement Program Special Revenue Fund, CDBG Grant Sewer Study Special Revenue Fund, and Business Assistance Loan Special Revenue 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 should cover these deficits when the fund is closed out.

**Excess of Expenditures over Appropriations**

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

<u>FUND</u>	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	<u>EXCESS</u>
Major Funds:			
General:			
General government	\$ 806,951	\$ 1,055,582	\$ 248,631
Public safety	1,336,494	1,401,456	64,962
Local Transit Authority Fund:			
Capital outlay	315,600	655,564	339,964
Local Transportation Fund:			
Capital outlay		5,257	5,257
Nonmajor Fund:			
Bikepath Special Revenue Fund:			
Public works		45,318	45,318

**NOTE 4 - CASH AND INVESTMENTS**

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

Statement of Net Position:	
Cash and investments	\$ 2,186,416
Cash and investments with fiscal agents	1,502,594
Restricted cash and investments	219,387
Statement of Fiduciary Net Position:	
Cash and investments	158,610
Cash and investments with fiscal agents	469,039
Restricted cash and investments	2,332,439
Total	<u>\$ 6,868,485</u>

Cash and investments held by the City at June 30, 2013 consisted of the following:

Cash on hand	\$ 100
Cash deposits	2,012,115
Investments	4,856,270
Total	<u>\$ 6,868,485</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	\$ 2,884,637	\$ 2,884,637	\$ -	\$ -	\$ -	\$ -
Held by Bond trustees:						
Money Market Funds	1,971,633	1,971,633				
	<u>\$ 4,856,270</u>	<u>\$ 4,856,270</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	\$2,884,637	N/A	\$ -	\$ -	\$ -	\$ -	\$2,884,637
Held by bond trustees:							
Money Market Funds	1,971,633	N/A		934,480			1,037,153
Total	<u>\$4,856,270</u>		<u>\$ -</u>	<u>\$ 934,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,921,790</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, 2013, \$1,869,188 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 these parcels as "land held for resale" in its financial records. The property is being carried at its net realizable value which is estimated to be equal to cost. At June 30, 2013, the net realizable value for land held for resale totaled \$219,687.

**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%. The housing rehabilitation loans receivable total is \$2,376,012 as of June 30, 2013. Total program loans receivable outstanding at June 30, 2013 is \$5,682,930, and the fund financial statements reflect unearned revenue of \$5,536,770 to offset the unearned 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, 2013, 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, 2013 is \$20,011.

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 fifty-five (55) years from September 1, 2003. The outstanding balance as of June 30, 2013 is \$3,286,907. The fund financial statements reflect unearned revenue in the amount of \$3,286,907 to offset this note receivable, which includes interest. On the statement of net position the City has set up an allowance of \$3,286,907 as of June 30, 2013.

**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, 2013 was \$98,212.

**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.

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
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	250,000	62,500	312,500
2019-2022	1,125,000	116,125	1,241,125
	<u>\$ 2,260,000</u>	<u>\$ 545,000</u>	<u>\$ 2,805,000</u>

**NOTE 9 – LONG-TERM DEBT (CONTINUED)**

**A. Business-type Activities (Continued)**

**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
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	55,000	87,528	142,528
2019-2023	315,000	385,353	700,353
2024-2028	425,000	276,703	701,703
2029-2033	565,000	129,150	694,150
2034	135,000	4,050	139,050
	<u>\$ 1,680,000</u>	<u>\$ 1,260,752</u>	<u>\$ 2,940,752</u>

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

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.

**NOTE 9 – LONG-TERM DEBT (CONTINUED)**

**A. Business-type Activities (Continued)**

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

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
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	45,000	132,188	177,188
2019-2023	256,000	630,239	886,239
2024-2028	315,000	569,704	884,704
2029-2033	388,000	495,523	883,523
2034-2038	479,000	403,351	882,351
2039-2043	590,000	290,126	880,126
2044-2048	725,000	150,750	875,750
2049-2050	335,000	106,367	441,367
	<u>\$ 3,295,000</u>	<u>\$ 3,325,308</u>	<u>\$ 6,620,308</u>

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
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	14,000	3,448	17,448
2019-2023	76,000	11,470	87,470
2024-2026	48,399	1,835	50,234
	<u>\$ 191,399</u>	<u>\$ 34,112</u>	<u>\$ 225,511</u>

**NOTE 9 – LONG-TERM DEBT (CONTINUED)**

**A. Business-type Activities (Continued)**

**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. These notes were refunded by the 2013 Sewer Revenue Bonds, see Note 16.

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
2014	\$ 1,660,000	\$ 29,050	\$ 1,689,050
	<u>\$ 1,660,000</u>	<u>\$ 29,050</u>	<u>\$ 1,689,050</u>

B. The following is a summary of Long-Term Debt activity for the fiscal year ended June 30, 2013:

<b>Governmental activities</b>	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due in one year
Compensated absences	\$ 42,352	\$ 36,052	\$ 21,176	\$ 57,228	\$ -
Claims payable	127,703	12,214		139,917	
	<u>\$ 170,055</u>	<u>\$ 48,266</u>	<u>\$ 21,176</u>	<u>\$ 197,145</u>	<u>\$ -</u>
<b>Business-type activities</b>					
Compensated absences	\$ 48,051	\$ 34,322	\$ 24,027	\$ 58,347	\$ -
1999 Water Revenue					
Refunding Bonds	2,455,000		195,000	2,260,000	205,000
2003 Sewer Revenue Bonds	1,720,000		40,000	1,680,000	45,000
2009A Water Revenue Bonds	3,332,000		37,000	3,295,000	38,000
2009B Water Revenue Bonds	203,399		12,000	191,399	13,000
2011 Subordinate Sewer Revenue Notes	1,660,000			1,660,000	1,660,000
	<u>\$ 9,418,450</u>	<u>\$ 34,322</u>	<u>\$ 308,027</u>	<u>\$ 9,144,746</u>	<u>\$ 1,961,000</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, 2013, 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, 2013, 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.

The composition of receivable and payable balances in the Private-Purpose Trust Fund, as of June 30, 2013, 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	\$ -	\$ 219,687
Major Governmental Fund:		
General Fund	<u>219,687</u>	
	<u>\$ 219,687</u>	<u>\$ 219,687</u>

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

**B. Due to/from other funds**

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
Major Funds:		
General	\$ 65,717	\$ 43,249
Home Grant		30,667
FEMA Water Tank		585,238
Nonmajor Funds:		
Special Revenue Funds:		
Homeland Security		1,414
FEMA		9,837
Façade Improvement Program		2,661
CDBG Grant Sewer Study		13,461
Business Assistance Loan		7,677
Proprietary Funds:		
Major Funds:		
Water	628,487	
Sewer	151,418	
Solid Waste		151,418
	<u>\$ 845,622</u>	<u>\$ 845,622</u>

**C. Interfund transfers**

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

**CITY OF HOLTVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

---

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

Transfers for the fiscal year ended June 30, 2013 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major Funds:		
General	\$ 504,076	\$ 105,342
Community Development Block Grant	214	180
Home Grant	180	95
Local Transit Authority	65,427	785,332
Local Transportation	613,865	
Nonmajor Funds:		
Special Revenue Funds:		
Gas Tax		243,277
Park Grant	27,989	
Local Management	5,567	
Equipment Replacement	832	
FEMA		4,194
CA Energy Commission	9,055	
Prop 1B Street	4,385	
BECC Grant	17,081	
ARRA	2,850	
Proprietary Funds:		
Major Funds:		
Water	11,431	145,838
Sewer	9,085	74,602
Solid Waste		6,573
Internal Service Funds:		
Employee Health	98,779	
Public Liabilities		5,383
	<u>\$ 1,370,816</u>	<u>\$ 1,370,816</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 \$524,255 for the workers' compensation fund.

Summary financial information for the funds of the PERMA for the fiscal year ended June 30, 2013 is as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Liability</u>
Total assets	\$ 15,773,513	\$ 20,082,989
Total liabilities	14,070,913	4,414,272
Net position	1,702,600	15,668,717
Total revenues	2,005,045	5,486,016
Total expenditures	2,611,586	7,888,152
Net increase (decrease) in net position	(606,541)	(2,402,136)

**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, 2013, the amount of these liabilities was \$139,917. This 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 \$17,500 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**

On November 6, 2012, the City was notified that it must repay \$11,642 of Activity Delivery funds expended from grant #08-EDEF-5785. As of the date of these financial statements, the City has yet to repay the funds.

On February 11, 2013, the City Council approved a contract for filter #2 leak repair in the amount of \$173,090 and a contract for rehabilitation of filtered water transfer pumps in the amount of \$30,000. As of June 30, 2013 \$99,120 had been paid to the contractor for filter #2 leak repair and \$0 to the contractor for the rehabilitation of filtered water transfer pumps.

On February 25, 2013, the City Council approved a contract with Lee & Ro, Inc. for WWTP improvement engineering design services in the amount of \$697,256. As of June 30, 2013, \$330,931 had been paid to the contractor.

On June 10, 2013, the City Council approved a contract with Hazard Construction for Grape Avenue Phase I and II improvements in the amount of \$385,374, a contract with Dynamic Consulting Engineers for construction management of the SAFETEA-LU demo bridge in the amount of \$75,315, and a contract with Hazard Construction Company for SAFETEA-LU demo bridge in the amount of \$727,945. As of June 30, 2013, \$0 had been paid to each contractor.

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.

**NOTE 14 - CONTINGENCIES AND COMMITMENTS (CONTINUED)**

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. Continued communication between the Board and the City, along with meeting milestones toward completion, will allow for the remaining \$63,000 to be suspended pending completion of the Compliance Project by December 31, 2015.

**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 Holtville 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 units 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 that State Controller of the State of California to 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.

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.

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

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, 2013 was \$ 280,000.

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, 2013 was \$71,739.

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, 2013 was \$56,383.

As of June 30, 2013, 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, 2013, consisted of the following:

**2007 Tax Allocation Bonds**

**Former Community Development Agency Tax Allocation Bonds**

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

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

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

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

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.

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

**Former Community Development Agency Tax Allocation Bonds (Continued)**

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	160,000	302,636	462,636
2019-2023	920,000	1,387,868	2,307,868
2024-2028	1,185,000	1,117,559	2,302,559
2029-2033	1,530,000	756,540	2,286,540
2034-2038	2,005,000	282,015	2,287,015
	<u>\$ 6,375,000</u>	<u>\$ 5,124,911</u>	<u>\$ 11,499,911</u>

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due in one year
2007 Tax Allocation Bonds	\$ 6,505,000	\$ -	\$ 130,000	\$ 6,375,000	\$ 135,000
	<u>\$ 6,505,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 6,375,000</u>	<u>\$ 135,000</u>

**NOTE 16 – SUBSEQUENT EVENTS**

On August 12, 2013, the City Council approved a contract with Engage Pyramid for emergency roadway repairs along Seventh Street, in the amount of \$30,888.

On September 23, 2013, the City Council approved a contract with Dynamic Consulting Engineers for construction management services for the Sanitary Sewer Outfall Main Pipeline and Residential Wastewater Collection System, in the amount of \$497,147.

On October 14, 2013, the City Council approved a contract with Van Dyke Corporation for construction services of the Sanitary Sewer Outfall Main Pipeline and Residential Wastewater Collection System, in the amount of \$4,941,950 and a contract with Pyramid Construction for construction services for the Alamo River Conservation Project, in the amount of \$133,944.

On December 9, 2013, the City Council approved a resolution providing for the sale and issuance of \$4,500,000 of Sewer Revenue Bonds (USDA), Series 2013. On December 12, 2013, the City issued \$4,500,000 of Sewer Revenue Bonds (USDA), Series 2013 to refund the 2003 Sewer Revenue Bonds and 2011 Subordinate Sewer Revenue Notes and to provide a portion of the financing cost of the Outfall Main Project. Interest on the 2013 Sewer Revenue Bonds is 2% and repayments commence December 1, 2014.

**NOTE 17 – FINANCIAL CONDITION**

The City's governmental activities unrestricted net position has a deficit of \$389,218 at June 30, 2013. The City is currently working on a plan to control expenditures in all departments which will assist in increasing the deficit unrestricted net position to a positive amount.

The City's business-type activities net position has a deficit of \$6,016,168 at June 30, 2013, which includes deficit net position of \$4,516,380 in the Water Fund, \$1,348,370 in the Sewer Fund, and \$151,418 in the Solid Waste Fund. As of June 30, 2013, the City's General Fund had temporarily loaned \$65,717 to other funds that had negative cash balances as of June 30, 2013, the Sewer Fund had temporarily loaned \$151,418 to the Solid Waste Fund which had negative cash as of June 30, 2013, and the Water Fund temporarily loaned \$585,238 to the FEMA Water Tank Capital Projects Fund which had negative cash as of June 30, 2013. 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.

For the fiscal year ended June 30, 2013 the General Fund's net change in fund balance was (\$212,479). As of June 30, 2013 the unassigned available fund balance in the General Fund was \$208,528. With revenues expected to be flat in fiscal year 13/14, the General Fund's unassigned available fund balance could be substantially reduced to a negative amount as of June 30, 2014. The City is currently working on a plan to control expenditures in all departments.

**NOTE 18 – PRIOR PERIOD ADJUSTMENTS**

A prior period adjustment was made in the RDA Low/Moderate Income Housing Successor Agency Private-Purpose Trust Fund of \$350,000 for an overstatement of settlement payable in the prior fiscal year.

**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, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues Collected</b>				
Taxes:				
Secured and unsecured property taxes	\$ 110,000	\$ 111,500	\$ 240,208	\$ 128,708
Utility users taxes	476,500	476,000	454,480	(21,520)
Sales and use taxes	460,000	460,000	323,215	(136,785)
Franchise taxes	86,500	86,500	136,336	49,836
Other taxes	18,500	17,000	32,050	15,050
Licenses and permits	350	525	7,460	6,935
Fines and penalties	2,250	2,250	2,687	437
Investment revenue collected	9,250	9,250	8,734	(516)
Intergovernmental revenue collected	550,000	550,000	723,497	173,497
Charges for current services	74,050	74,050	112,647	38,597
Other revenues collected	38,250	38,250	141,699	103,449
Total revenues collected	1,825,650	1,825,325	2,183,013	357,688
<b>Expenditures Paid</b>				
General Government:				
City council	28,062	28,062	35,829	(7,767)
City manager	203,107	203,107	239,437	(36,330)
Planning	32,250	32,250	159,708	(127,458)
Engineering	25,000	25,000		25,000
City clerk	87,053	87,053	87,185	(132)
Finance office	252,793	179,532	209,777	(30,245)
City treasurer	1,947	1,947	1,625	322
City attorney	80,000	80,000	64,835	15,165
Non-departmental	170,000	170,000	257,186	(87,186)
Total general government	880,212	806,951	1,055,582	(248,631)
Public Safety:				
Police department	793,050	793,050	791,642	1,408
Dispatch services	114,100	114,100	114,088	12
Animal control	33,428	33,428	26,567	6,861
Fire department	448,625	395,916	469,159	(73,243)
Total public safety	1,389,203	1,336,494	1,401,456	(64,962)

(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, 2013

(Continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Expenditures Paid (continued)</b>				
Public Works:				
Administration	\$ -	\$ -	\$ 174	\$ (174)
Street maintenance	166,796	168,796	127,801	40,995
Parks maintenance	294,634	248,894	150,331	98,563
Building maintenance	77,532	77,532	58,882	18,650
Total public works	538,962	495,222	337,188	158,034
Total expenditures paid	2,808,377	2,638,667	2,794,226	(155,559)
Excess of revenues collected over (under) expenditures paid	(982,727)	(813,342)	(611,213)	202,129
<b>Other Financing Sources (Uses):</b>				
Transfers in	625,000	625,000	504,076	(120,924)
Transfers out			(105,342)	(105,342)
Total other financing sources (uses)	625,000	625,000	398,734	(226,266)
Net change in fund balance	(357,727)	(188,342)	(212,479)	(24,137)
Fund balance - July 1, 2012	640,694	640,694	640,694	
Fund balance - June 30, 2013	\$ 282,967	\$ 452,352	\$ 428,215	\$ (24,137)

**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, 2013**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues Collected:</b>				
Investment earnings	\$ -	\$ -	\$ 1,225	\$ 1,225
Intergovernmental	435,000	435,000	541,985	106,985
Total revenues collected	435,000	435,000	543,210	108,210
<b>Expenditures Paid:</b>				
Public works				
Capital outlay	315,660	315,660	655,564	(339,904)
Total expenditures paid	315,660	315,660	655,564	(339,904)
Excess of revenues collected over (under) expenditures paid	119,340	119,340	(112,354)	(231,694)
<b>Other Financing Sources (Uses):</b>				
Transfers in			65,427	65,427
Transfers out			(785,332)	(785,332)
Total other financing sources (uses)			(719,905)	(719,905)
Net change in fund balance	119,340	119,340	(832,259)	(951,599)
Fund balance, July 1, 2012	1,283,391	1,283,391	1,283,391	
Fund balance, June 30, 2013	\$ 1,402,731	\$ 1,402,731	\$ 451,132	\$ (951,599)

**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, 2013**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues Collected:</b>				
Intergovernmental	\$ 1,806	\$ 1,806	\$ 218,200	\$ 216,394
Total revenues collected	1,806	1,806	218,200	216,394
<b>Expenditures Paid:</b>				
Capital outlay			5,257	(5,257)
Total expenditures paid			5,257	(5,257)
Excess of revenues collected over (under) expenditures paid	1,806	1,806	212,943	211,137
<b>Other Financing Sources (Uses):</b>				
Transfers in			613,865	613,865
Total other financing sources (uses)			613,865	613,865
Net change in fund balance	1,806	1,806	826,808	825,002
Fund balance, July 1, 2012	(757,133)	(757,133)	(757,133)	
Fund balance, June 30, 2013	<u>\$ (755,327)</u>	<u>\$ (755,327)</u>	<u>\$ 69,675</u>	<u>\$ 825,002</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, 2013

	Special Revenue Funds			
	Gas Tax Fund	Bikepath Fund	Park Grant Fund	Land Management Fund
<b>ASSETS</b>				
Cash and investments	\$ 236,880	\$ 66,310	\$ -	\$ -
Total assets	<u>\$ 236,880</u>	<u>\$ 66,310</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Total liabilities				
Fund Balances:				
Restricted	236,880	66,310		
Unassigned				
Total fund balances (deficit)	<u>236,880</u>	<u>66,310</u>		
Total liabilities and fund balances	<u>\$ 236,880</u>	<u>\$ 66,310</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds

Equipment Replacement Fund	Homeland Security Fund	FEMA Fund	Façade Improvement Program Fund	CA Energy Commission Fund
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 1,414	\$ 9,837	\$ 2,661	\$ -
	1,414	9,837	2,661	
	(1,414)	(9,837)	(2,661)	
	(1,414)	(9,837)	(2,661)	
\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

**CITY OF HOLTVILLE****COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES****ARISING FROM CASH TRANSACTIONS - NON-MAJOR GOVERNMENTAL FUNDS (Continued)**

June 30, 2013

	Special Revenue Funds			
	Prop 42 Transportation Fund	Prop 1B Street Fund	CDBG Grant Sewer Study Fund	Business Assistance Loan Fund
<b>ASSETS</b>				
Cash and investments	\$ 40,489	\$ -	\$ -	\$ -
Total assets	<u>\$ 40,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ 13,461	\$ 7,677
Total liabilities			<u>13,461</u>	<u>7,677</u>
Fund Balances:				
Restricted	40,489			
Unassigned			<u>(13,461)</u>	<u>(7,677)</u>
Total fund balances (deficit)	<u>40,489</u>		<u>(13,461)</u>	<u>(7,677)</u>
Total liabilities and fund balances	<u>\$ 40,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Fund	Capital Projects Fund	
BECC Grant Fund	ARRA Fund	Totals
\$ -	\$ -	\$ 343,679
\$ -	\$ -	\$ 343,679
\$ -	\$ -	\$ 35,050
		35,050
		343,679
		(35,050)
		308,629
\$ -	\$ -	\$ 343,679

**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, 2013

	Special Revenue Funds			
	Gas Tax Fund	Bikepath Fund	Park Grant Fund	Land Management Fund
<b>Revenues Collected:</b>				
Taxes and other assessments	\$ 152,010	\$ -	\$ -	\$ -
Investment earnings	1,311	245		
Intergovernmental		12,203		
Total revenues collected	<u>153,321</u>	<u>12,448</u>		
<b>Expenditures Paid:</b>				
Public safety				
Public works		45,318		
Community development				
Capital outlay				
Total expenditures paid		<u>45,318</u>		
Excess of revenues collected over (under) expenditures paid	<u>153,321</u>	<u>(32,870)</u>		
<b>Other Financing Sources (Uses):</b>				
Transfers in			27,989	5,567
Transfers out	(243,277)			
Total other financing sources (uses)	<u>(243,277)</u>		<u>27,989</u>	<u>5,567</u>
Net changes in fund balances	(89,956)	(32,870)	27,989	5,567
Fund balances (deficit), July 1, 2012	<u>326,836</u>	<u>99,180</u>	<u>(27,989)</u>	<u>(5,567)</u>
Fund balances (deficit), June 30, 2013	<u>\$ 236,880</u>	<u>\$ 66,310</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds

Equipment Replacement Fund	Homeland Security Fund	FEMA Fund	Façade Improvement Program Fund	CA Energy Commission Fund
\$ -	\$ -	\$ -	\$ -	\$ -
	17,717			
	17,717			
	21,137	4,751		
		11,571		
	21,137	16,322		
	(3,420)	(16,322)		
832		(4,194)		9,055
832		(4,194)		9,055
832	(3,420)	(20,516)		9,055
(832)	2,006	10,679	(2,661)	(9,055)
\$ -	\$ (1,414)	\$ (9,837)	\$ (2,661)	\$ -

(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, 2013

	Special Revenue Funds			
	Prop 42 Transportation Fund	Prop 1B Street Fund	CDBG Grant Sewer Study Fund	Business Assistance Loan Fund
<b>Revenues Collected:</b>				
Taxes and other assessments	\$ -	\$ -	\$ -	\$ -
Investment earnings	159			
Intergovernmental			49,826	
Total revenues collected	159		49,826	
<b>Expenditures Paid:</b>				
Public safety				
Public works				
Community development			6,547	2,568
Capital outlay				
Total expenditures paid			6,547	2,568
Excess of revenues collected over (under) expenditures paid	159		43,279	(2,568)
<b>Other Financing Sources (Uses):</b>				
Transfers in		4,385		
Transfers out				
Total other financing sources (uses)		4,385		
Net changes in fund balances	159	4,385	43,279	(2,568)
Fund balances (deficit), July 1, 2012	40,330	(4,385)	(56,740)	(5,109)
Fund balances (deficit), June 30, 2013	\$ 40,489	\$ -	\$ (13,461)	\$ (7,677)

Special Revenue Fund	Capital Projects Fund	
BECC Grant Fund	ARRA Fund	Totals
\$ -	\$ -	\$ 152,010
		1,715
		79,746
		233,471
		21,137
		50,069
		9,115
		11,571
		91,892
		141,579
17,081	2,850	67,759
		(247,471)
17,081	2,850	(179,712)
17,081	2,850	(38,133)
(17,081)	(2,850)	346,762
\$ -	\$ -	\$ 308,629

THIS PAGE INTENTIONALLY LEFT BLANK

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

For the Fiscal Year Ended June 30, 2013

---

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues Collected:</b>			
Taxes and other assessments	\$ 162,500	\$ 152,010	\$ (10,490)
Investment earnings	1,000	1,311	311
	<hr/>	<hr/>	<hr/>
Total revenues collected	163,500	153,321	(10,179)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources (Uses):</b>			
Transfers out	(175,000)	(243,277)	(68,277)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(175,000)	(243,277)	(68,277)
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(11,500)	(89,956)	(78,456)
	<hr/>	<hr/>	<hr/>
Fund balance, July 1, 2012	326,836	326,836	
	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2013	\$ 315,336	\$ 236,880	\$ (78,456)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**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, 2013

---

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues Collected:</b>			
Investment earnings	\$ -	\$ 245	\$ 245
Intergovernmental	13,000	12,203	(797)
	<hr/>	<hr/>	<hr/>
Total revenues collected	13,000	12,448	(552)
	<hr/>	<hr/>	<hr/>
<b>Expenditures Paid:</b>			
Public works		45,318	(45,318)
		<hr/>	<hr/>
Total expenditures paid		45,318	(45,318)
		<hr/>	<hr/>
Net change in fund balance	13,000	(32,870)	(45,870)
Fund balance, July 1, 2012	99,180	99,180	
	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2013	\$ 112,180	\$ 66,310	\$ (45,870)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CITY OF HOLTVILLE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION**  
**ARISING FROM CASH TRANSACTIONS**  
June 30, 2013

---

	<u>Employee Health Fund</u>	<u>Public Liabilities Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ -	\$ -	\$ -
Total assets	<u>          </u>	<u>          </u>	<u>          </u>
<b>LIABILITIES</b>			
Current Liabilities:			
Due to other funds	<u>          </u>	<u>          </u>	<u>          </u>
Total current liabilities	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET POSITION (DEFICIT)</b>			
Unrestricted	<u>          </u>	<u>          </u>	<u>          </u>
Total net position (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF HOLTVILLE**

## INTERNAL SERVICE FUNDS

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

For the Fiscal Year Ended June 30, 2013

---

	<u>Employee Health Fund</u>	<u>Public Liabilities Fund</u>	<u>Totals</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	\$ 98,779	\$ -	\$ 98,779
Transfers out		(5,383)	(5,383)
	<u>98,779</u>	<u>(5,383)</u>	<u>93,396</u>
Total other financing sources (uses)			
	98,779	(5,383)	93,396
Changes in net position			
	<u>(98,779)</u>	<u>5,383</u>	<u>(93,396)</u>
Net position (deficit), beginning of the fiscal year			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net position (deficit), end of the fiscal year			

**CITY OF HOLTVILLE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**ARISING FROM CASH TRANSACTIONS**  
For the Fiscal Year Ended June 30, 2013

	Employee Health Fund	Public Liabilities Fund	Totals
Cash Flows from Operating Activities:			
Interfund loan receipts (disbursements)	\$ (98,779)	\$ -	\$ (98,779)
Net cash provided by operating activities	<u>(98,779)</u>		<u>(98,779)</u>
Cash flows from non-capital financing activities:			
Transfers in	98,779		98,779
Transfers out		<u>(5,383)</u>	<u>(5,383)</u>
Net cash provided (used) from non-capital financing activities	<u>98,779</u>	<u>(5,383)</u>	<u>93,396</u>
Net increase (decrease) in cash and cash equivalents		(5,383)	(5,383)
Cash and cash equivalents, beginning of fiscal year		<u>5,383</u>	<u>5,383</u>
Cash and cash equivalents, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ -	\$ -	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:			
Changes in operating assets and liabilities:			
Decrease (Increase) in due to/from other funds	<u>(98,779)</u>		<u>(98,779)</u>
Net cash provided by operating activities	<u>\$ (98,779)</u>	<u>\$ -</u>	<u>\$ (98,779)</u>

**CITY OF HOLTVILLE**  
**PRIVATE-PURPOSE TRUST FUND**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2013**

	RDA Low/Mod Successor Agency Fund	RDA Successor Agency Fund	Totals
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 158,610	\$ 158,610
Cash and investments with fiscal agents		469,039	469,039
Restricted cash and investments	714,500	1,617,939	2,332,439
Deferred charges		242,106	242,106
Notes receivable	280,000	71,739	351,739
Receivable from other trust funds		1,341	1,341
Capital assets, not being depreciated		437,894	437,894
Total assets	<u>994,500</u>	<u>2,998,668</u>	<u>3,993,168</u>
<b>LIABILITIES</b>			
Payable to City of Holtville		219,687	219,687
Payable to other trust funds	1,341		1,341
Long-term debt, due within one year		135,000	135,000
Long-term debt, due in more than one year		6,240,000	6,240,000
Total liabilities	<u>1,341</u>	<u>6,594,687</u>	<u>6,596,028</u>
<b>NET POSITION (DEFICIT)</b>			
Unrestricted	<u>993,159</u>	<u>(3,596,019)</u>	<u>(2,602,860)</u>
Total net position (deficit)	<u>\$ 993,159</u>	<u>\$ (3,596,019)</u>	<u>\$ (2,602,860)</u>

**CITY OF HOLTVILLE**  
PRIVATE-PURPOSE TRUST FUND  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
ARISING FROM CASH TRANSACTIONS  
For the Fiscal Year Ended June 30, 2013

	RDA Low/Mod Successor Agency Fund	RDA Successor Agency Fund	Totals
<b>Additions:</b>			
Investment revenue	\$ 11,074	\$ 2,451	\$ 13,525
Tax and assessments		619,950	619,950
Total Additions	<u>11,074</u>	<u>622,401</u>	<u>633,475</u>
<b>Deductions:</b>			
Administration	17	228,119	228,136
Interest expense		334,445	334,445
Amortization expense		9,950	9,950
Contributions to other agencies	398,613	3,554	402,167
Total deductions	<u>398,630</u>	<u>576,068</u>	<u>974,698</u>
Change in net position before transfers	<u>(387,556)</u>	<u>46,333</u>	<u>(341,223)</u>
<b>Transfers:</b>			
Transfers in		298,604	298,604
Transfers out	(298,604)		(298,604)
Total transfers	<u>(298,604)</u>	<u>298,604</u>	
Change in net position	<u>(686,160)</u>	<u>344,937</u>	<u>(341,223)</u>
Net Position - July 1, 2012	1,329,319	(3,940,956)	(2,611,637)
Prior Period Adjustments	350,000		350,000
Net Position - July 1, 2012, Restated	<u>1,679,319</u>	<u>(3,940,956)</u>	<u>(2,261,637)</u>
Net Position (Deficit) - June 30, 2013	<u>\$ 993,159</u>	<u>\$ (3,596,019)</u>	<u>\$ (2,602,860)</u>