

CITY OF HOLTVILLE

FINANCIAL STATEMENTS
June 30, 2016

CITY OF HOLTVILLE
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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, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2016, 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

Change in Accounting Principles

As discussed in Note 1 of the notes to the basic financial statements effective July 1, 2015, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Applications. Our opinion has not been modified with respect to these matters.

Basis of Accounting

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.

Financial Condition

The reader's attention should be brought to Note 16, referring to the City's financial condition as of June 30, 2016.

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. Budgets were not adopted for the Community Development Block Grant Special Revenue Fund or 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.

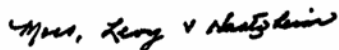
Other Information

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, 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, 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 January 9, 2017, 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
January 9, 2017

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BASIC FINANCIAL STATEMENTS

CITY OF HOLTVILLE
STATEMENT OF NET POSITION
ARISING FROM CASH TRANSACTIONS
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 3,088,380	\$ 1,943,497	\$ 5,031,877
Cash and investments with fiscal agent		320,750	320,750
Restricted cash and investments		324,043	324,043
Internal balances	(43,249)	43,249	
Deposits	8,916	6,250	15,166
Loans receivable, net of allowance	<u>2,599,177</u>		<u>2,599,177</u>
Total Assets	<u>5,653,224</u>	<u>2,637,789</u>	<u>8,291,013</u>
Liabilities:			
Noncurrent liabilities:			
Due within one year	27,224	384,518	411,742
Due in more than one year	<u>264,560</u>	<u>8,980,061</u>	<u>9,244,621</u>
Total Liabilities	<u>291,784</u>	<u>9,364,579</u>	<u>9,656,363</u>
Net Position:			
Restricted for:			
Debt service		644,793	644,793
Other purposes	4,282,109		4,282,109
Unrestricted	<u>1,079,331</u>	<u>(7,371,583)</u>	<u>(6,292,252)</u>
Total Net Position (Deficit)	<u>\$ 5,361,440</u>	<u>\$ (6,726,790)</u>	<u>\$ (1,365,350)</u>

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
STATEMENT OF ACTIVITIES
ARISING FROM CASH TRANSACTIONS
For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ 882,210	\$ 7,180	\$ -	\$ -
Public safety	1,495,583	10,646	343,763	
Public works	684,186	90,442	7,685	1,316,128
Community development	1,032	13,852	2,451	
Total Governmental Activities	3,063,011	122,120	353,899	1,316,128
Business-type Activities:				
Water	1,081,117	1,544,891		
Sewer	3,588,227	1,499,641		2,803,534
Solid waste	230,090	246,000		
Total Business-type Activities	4,899,434	3,290,532		2,803,534
Total Primary Government	\$ 7,962,445	\$ 3,412,652	\$ 353,899	\$ 4,119,662

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

Contributions from private-purpose trust fund, unrestricted

Transfers

Total General Revenues and Transfers

Change in Net Position before Extraordinary Item

Extraordinary Item

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

Change in Net Position

Net Position (Deficit) at Beginning of Fiscal Year

Prior Period Adjustments

Net Position (Deficit) at Beginning of Fiscal Year, Restated

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
\$ (875,030)	\$ -	\$ (875,030)
(1,141,174)		(1,141,174)
730,069		730,069
15,271		15,271
<u>(1,270,864)</u>		<u>(1,270,864)</u>
	463,774	463,774
	714,948	714,948
	15,910	15,910
	<u>1,194,632</u>	<u>1,194,632</u>
<u>(1,270,864)</u>	<u>1,194,632</u>	<u>(76,232)</u>
106,256		106,256
479,255		479,255
518,089		518,089
124,239		124,239
32,460		32,460
514,190		514,190
20,389	10,915	31,304
825,591		825,591
241,000		241,000
250,000	(250,000)	
<u>3,111,469</u>	<u>(239,085)</u>	<u>2,872,384</u>
1,840,605	955,547	2,796,152
<u>(219,687)</u>		<u>(219,687)</u>
1,620,918		
3,440,522	(7,682,337)	(4,241,815)
300,000		300,000
<u>3,740,522</u>	<u>(7,682,337)</u>	<u>(3,941,815)</u>
<u>\$ 5,361,440</u>	<u>\$ (6,726,790)</u>	<u>\$ (1,365,350)</u>

CITY OF HOLTVILLE
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS -
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Special Revenue Funds	
		Community Development Block Grant	Home Grant
Assets			
Cash and investments	\$ 1,286,343	\$ 481,599	\$ 209
Restricted cash and investments			
Deposits	8,916		
Due from other funds	376,108		
Loans receivable	12,400	1,073,477	4,580,204
Total assets	<u>\$ 1,683,767</u>	<u>\$ 1,555,076</u>	<u>\$ 4,580,413</u>
Liabilities:			
Due to other funds	\$ 43,249	\$ -	\$ -
Total liabilities	<u>43,249</u>		
Deferred Inflows of Resources:			
Deferred revenue		966,772	4,580,204
Total deferred inflows of resources		<u>966,772</u>	<u>4,580,204</u>
Total liabilities and deferred inflows of resources	<u>43,249</u>	<u>966,772</u>	<u>4,580,204</u>
Fund Balances:			
Restricted		481,599	209
Nonspendable	12,400	106,705	
Unassigned	1,628,118		
Total fund balances (deficits)	<u>1,640,518</u>	<u>588,304</u>	<u>209</u>
Total liabilities and fund balances	<u>\$ 1,683,767</u>	<u>\$ 1,555,076</u>	<u>\$ 4,580,413</u>

See accompanying notes to basic financial statements

Special Revenue Funds			
Local Transit Authority Fund	Local Transportation Fund	Other Governmental Funds	Total Governmental Funds
\$ 881,060	\$ -	\$ 439,169	\$ 3,088,380
			8,916
			376,108
		310,000	5,976,081
<u>\$ 881,060</u>	<u>\$ -</u>	<u>\$ 749,169</u>	<u>\$ 9,449,485</u>
\$ -	\$ 352,309	\$ 23,799	\$ 419,357
	352,309	23,799	419,357
		310,000	5,856,976
		310,000	5,856,976
	352,309	333,799	6,276,333
881,060		439,169	1,802,037
	(352,309)	(23,799)	119,105
			1,252,010
<u>881,060</u>	<u>(352,309)</u>	<u>415,370</u>	<u>3,173,152</u>
<u>\$ 881,060</u>	<u>\$ -</u>	<u>\$ 749,169</u>	<u>\$ 9,449,485</u>

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CITY OF HOLTVILLE

RECONCILIATION OF THE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION ARISING FROM CASH TRANSACTIONS
June 30, 2016

Fund balances of governmental funds	\$	3,173,152
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 deferred revenue in the governmental funds.		
Deferred revenue		5,856,976
Allowance for an uncollectible loan has been set up in the amount of \$3,376,904 for a certain loan receivable.		
		(3,376,904)
Long-term debt and compensated absences have not been included in the governmental funds.		
Claims payable		(231,286)
Compensated absences		(60,498)
		<hr/>
Net position of governmental activities	\$	<u>5,361,440</u>

See accompanying notes to basic financial statements

CITY OF HOLTVILLE

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

For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Funds	
		Community Development Block Grant	Home Grant
Revenues Collected:			
Taxes	\$ 1,123,025	\$ -	\$ -
Licenses, permits, and impact fees	6,895		
Fines and penalties	1,014		
Investment earnings	9,536	114	13
Intergovernmental	857,953		
Charges for current services	114,211		
Other revenues collected	828,042		
Contributions from private-purpose trust fund	241,000		
Program income		24,191	10,318
Total revenues collected	<u>3,181,676</u>	<u>24,305</u>	<u>10,331</u>
Expenditures Paid:			
General government	776,971		
Public safety	1,485,276		
Public works	368,305		
Community development		1,026	
Capital outlay			
Total expenditures paid	<u>2,630,552</u>	<u>1,026</u>	
Excess of revenues collected over (under) expenditures paid	<u>551,124</u>	<u>23,279</u>	<u>10,331</u>
Other Financing Sources (Uses):			
Transfers in	550,564		2
Transfers out	(42,956)		
Total other financing sources (uses)	<u>507,608</u>		<u>2</u>
Net changes in fund balances before Extraordinary Items	1,058,732	23,279	10,333
Extraordinary Item			
Loss on transfer of assets and liabilities to RDA successor trust funds	(219,687)		
Net changes in fund balances	839,045		
Fund balances (deficits), July 1, 2015	<u>801,473</u>	<u>565,025</u>	<u>(10,124)</u>
Fund balances (deficits), June 30, 2016	<u>\$ 1,640,518</u>	<u>\$ 588,304</u>	<u>\$ 209</u>

See accompanying notes to basic financial statements

Special Revenue Funds			
Local Transit Authority Fund	Local Transportation Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 137,274	\$ 1,260,299
			6,895
			1,014
348		378	10,389
468,751	820,447	26,930	2,174,081
			114,211
			828,042
			241,000
			34,509
<u>469,099</u>	<u>820,447</u>	<u>164,582</u>	<u>4,670,440</u>
			776,971
			1,485,276
			368,305
			1,026
60	313,265		313,325
<u>60</u>	<u>313,265</u>		<u>2,944,903</u>
<u>469,039</u>	<u>507,182</u>	<u>164,582</u>	<u>1,725,537</u>
40,025	31,614	42,954	665,159
(181,614)		(190,589)	(415,159)
<u>(141,589)</u>	<u>31,614</u>	<u>(147,635)</u>	<u>250,000</u>
327,450	538,796	16,947	1,975,537
			(219,687)
			1,755,850
<u>553,610</u>	<u>(891,105)</u>	<u>398,423</u>	<u>1,417,302</u>
<u>\$ 881,060</u>	<u>\$ (352,309)</u>	<u>\$ 415,370</u>	<u>\$ 3,173,152</u>

CITY OF HOLTVILLE

RECONCILIATION OF THE STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES ARISING FROM CASH TRANSACTIONS -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
ARISING FROM CASH TRANSACTIONS
For the Fiscal Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ 1,755,850

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 an 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. (16,824)

The amount below, included in the Statement of Activities, does not provide (require) the use of current financial resources and, therefore, is not reported as revenue or expenditure in governmental funds (net change):
 Decrease in claims payable (99,847)

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. (18,261)

Change in net position of governmental activities \$ 1,620,918

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, 2016

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Solid Waste Fund	
ASSETS				
Current Assets:				
Cash and investments	\$ 279,300	\$ 1,664,197	\$ -	\$ 1,943,497
Cash and investments with fiscal agent	320,750			320,750
Restricted cash and investments	220,223	103,820		324,043
Deposits receivable		6,250		6,250
Due from other funds	43,249	80,990		124,239
Total assets	863,522	1,855,257		2,718,779
LIABILITIES				
Current Liabilities:				
Due to other funds			80,990	80,990
Compensated absences	3,730	3,788		7,518
Current portion of long-term liabilities	297,000	80,000		377,000
Total current liabilities	300,730	83,788	80,990	465,508
Long-Term Liabilities:				
Compensated absences	33,569	34,093		67,662
Bonds payable	4,646,399	4,266,000		8,912,399
Total long-term liabilities	4,679,968	4,300,093		8,980,061
Total liabilities	4,980,698	4,383,881	80,990	9,445,569
NET POSITION (DEFICIT)				
Restricted for debt service	540,973	103,820		644,793
Unrestricted	(4,658,149)	(2,632,444)	(80,990)	(7,371,583)
Total net position (deficit)	\$ (4,117,176)	\$ (2,528,624)	\$ (80,990)	\$ (6,726,790)

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, 2016

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Solid Waste Fund	
Operating Revenues Collected:				
Charges for services	\$ 1,544,891	\$ 1,499,641	\$ 246,000	\$ 3,290,532
Total operating revenues collected	1,544,891	1,499,641	246,000	3,290,532
Operating Expenses Paid:				
Salaries and wages	304,313	325,083		629,396
Payroll expenses	110,258	88,688		198,946
Training, safety, and clothing	16,902	12,975		29,877
Materials, supplies, and services	423,247	283,567	230,090	936,904
Total operating expenses paid	854,720	710,313	230,090	1,795,123
Operating income arising from cash transactions	690,171	789,328	15,910	1,495,409
Non-Operating Revenues Collected (Expenses Paid):				
Investment earnings	290	10,625		10,915
Interest expense	(226,397)	(87,710)		(314,107)
Capital outlay		(2,790,204)		(2,790,204)
Total non-operating revenues collected (expenses paid)	(226,107)	(2,867,289)		(3,093,396)
Income (loss) arising from cash transactions before transfers and capital contributions	464,064	(2,077,961)	15,910	(1,597,987)
Capital grants received		2,803,534		2,803,534
Transfers:				
Transfers out	(25,000)	(225,000)		(250,000)
Changes in net position	439,064	500,573	15,910	955,547
Net position (deficit), beginning of the fiscal year	(4,556,240)	(3,029,197)	(96,900)	(7,682,337)
Net position (deficit), end of the fiscal year	\$ (4,117,176)	\$ (2,528,624)	\$ (80,990)	\$ (6,726,790)

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, 2016

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Solid Waste Fund	
Cash Flows from Operating Activities:				
Receipts from user charges	\$ 1,544,891	\$ 1,499,641	\$ 246,000	\$ 3,290,532
Interfund loan receipts (disbursements)		15,910	(15,910)	
Payments to suppliers	(550,407)	(385,230)	(230,090)	(1,165,727)
Payments for salaries	(302,966)	(324,650)		(627,616)
Net Cash Provided (Used) by Operating Activities	691,518	805,671		1,497,189
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets		(2,790,204)		(2,790,204)
Capital grants received		2,803,534		2,803,534
Principal paid	(279,000)	(79,000)		(358,000)
Interest paid	(226,397)	(87,710)		(314,107)
Net Cash Provided (Used) for Capital and Related Financing Activities	(505,397)	(153,380)		(658,777)
Cash Flows from Non-Capital Financing Activities:				
Transfers paid	(25,000)	(225,000)		(250,000)
Net Cash Provided (Used) from Non-Capital Financing Activities	(25,000)	(225,000)		(250,000)
Cash Flows from Investing Activities:				
Interest received	290	10,625		10,915
Net Cash Provided (Used) from Investing Activities	290	10,625		10,915
Increase (decrease) in cash and cash equivalents	161,411	437,916		599,327
Cash and cash equivalents, beginning of fiscal year	658,862	1,330,101		1,988,963
Cash and cash equivalents, end of fiscal year	\$ 820,273	\$ 1,768,017	\$ -	\$ 2,588,290
Reconciliation to Statement of Net Position:				
Cash and investments	\$ 279,300	\$ 1,664,197	\$ -	\$ 1,943,497
Cash and investments with fiscal agents	320,750			320,750
Restricted cash and investments	220,223	103,820		324,043
Total cash and cash equivalents, end of fiscal year	\$ 820,273	\$ 1,768,017	\$ -	\$ 2,588,290

(Continued)

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS (Continued)
ARISING FROM CASH TRANSACTIONS
For the Fiscal Year Ended June 30, 2016

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Solid Waste Fund	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income	\$ 690,171	\$ 789,328	\$ 15,910	\$ 1,495,409
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in operating assets and liabilities:				
(Increase) decrease in due from other funds		15,910		15,910
Increase (decrease) in due to other funds			(15,910)	(15,910)
Increase (decrease) in compensated absences	1,347	433		1,780
Net Cash Provided (Used) by Operating Activities	\$ 691,518	\$ 805,671	\$ -	\$ 1,497,189

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
FIDUCIARY FUNDS
STATEMENT OF NET POSITION ARISING FROM CASH TRANSACTIONS
June 30, 2016

	Private-Purpose Trust Funds
	<u> </u>
ASSETS	
Cash and investments with fiscal agents	\$ 469,061
Restricted cash and investments	2,651,210
Notes receivable	46,792
Capital assets, not being depreciated	<u>437,894</u>
Total assets	<u>3,604,957</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding of debt	<u>86,009</u>
Total deferred outflows of resources	<u>86,009</u>
Total assets and deferred outflows of resources	<u>3,690,966</u>
LIABILITIES	
Long-term debt, due within one year	155,000
Long-term debt, due in more than one year	<u>5,800,000</u>
Total liabilities	<u>5,955,000</u>
NET POSITION (DEFICIT)	
Unrestricted	<u>(2,264,034)</u>
Total net position (deficit)	<u><u>\$ (2,264,034)</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, 2016

	Private-Purpose Trust Funds
Additions:	
Investment revenue	\$ 44,093
Tax and assessments	669,177
Forgiveness of uncollectible debt	219,687
	<hr/>
Total Additions	932,957
	<hr/>
Deductions:	
Administration	243,885
Interest expense	316,595
Amortization expense	4,032
	<hr/>
Total deductions	564,512
	<hr/>
Change in net position	368,445
	<hr/>
Net Position (Deficit) - July 1, 2015	(2,332,479)
	<hr/>
Prior Period Adjustments	(300,000)
	<hr/>
Net Position (Deficit) - July 1, 2015, Restated	(2,632,479)
	<hr/>
Net Position (Deficit) - June 30, 2016	\$ (2,264,034)
	<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 and GASB Statement No. 61, 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.

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).

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 **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.

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, Homeland Security Fund, FEMA Fund, Façade Improvement Program Fund, CDBG Grant Sewer Study Fund or Business Assistance Loan 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. These investments are also allowed by the California Government Code.

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. All other net position is considered unrestricted.

At June 30, 2016, the City had recorded restricted net position in the Governmental Activities and Business-type Activities as follows:

	Governmental Activities	Business-type Activities
Restricted for:		
Debt service	\$ -	\$ 644,793
Community development	1,555,076	
HOME grant program	1,203,509	
Transportation	881,060	
Streets and roads	439,169	
Total Restricted	<u>\$ 4,078,814</u>	<u>\$ 644,793</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, 2016

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, 2016 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	Nonmajor Governmental Funds	Total
Nonspendable:							
Prepays	\$ 12,400	\$ 106,705	\$ -	\$ -	\$ -	\$ -	\$ 119,105
<i>Total Nonspendable</i>	12,400	106,705					119,105
Restricted for:							
Community Development		481,599	209				481,808
Transportation				881,060			881,060
Streets and Roads						439,169	439,169
<i>Total Restricted</i>		481,599	209	881,060		439,169	1,802,037
Unassigned	1,628,118				(352,309)	(23,799)	1,252,010
<i>Total Fund Balances</i>	\$ 1,640,518	\$ 588,304	\$ 209	\$ 881,060	\$ (352,309)	\$ 415,370	\$ 3,173,152

P. New Accounting Pronouncement

Governmental Accounting Standards Board Statement No. 72

For the fiscal year ended June 30, 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Applications. This Statement is effective for periods beginning after June 15, 2015. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. Implementation of GASB Statement No. 72 did have an impact on the City's financial statements for the fiscal year ended June 30, 2016, see Note 4.

Q. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 74	"Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans"	The provision of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provision of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 77	"Tax Abatement Disclosures"	The provision of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 78	"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"	The provision of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 79	"Certain External Investment Pools and Pool Participants"	The provision of this statement are effective for fiscal years beginning after December 15, 2015.

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

Q. Future Accounting Pronouncements (Continued)

GASB Statements listed below will be implemented in future financial statements (continued):

Statement No. 80	"Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14"	The provision of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provision of this statement are effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provision of this statement are effective for fiscal years beginning after December 15, 2017.

R. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 65 the City recognizes deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. Refer to Note 14 for a detailed listing of the deferred inflows of resources that the City has recognized.

Pursuant to GASB Statement No. 65 the City recognizes deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of fund balance by the government that is applicable to a future reporting period. Refer to Note 7 for a detailed listing of the deferred inflows of resources that the City has recognized.

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>	
Compensated Absences	\$ 60,498
Claims Payable	231,286
	<u>\$ 291,784</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances and Net Position

Deficit net position of \$4,117,176, \$2,528,624, and \$80,990 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 \$352,309, \$2,661, \$13,461, and \$7,677 in the Local Transportation 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:

FUND	APPROPRIATIONS	EXPENDITURES	EXCESS
Major Funds:			
General:			
General government	\$ 766,251	\$ 996,658	\$ 230,407
Public safety	1,412,821	1,485,276	72,455
Public works	355,886	368,305	12,419

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	\$ 5,031,877
Cash and investments with fiscal agents	320,750
Restricted cash and investments	324,043
Statement of Fiduciary Net Position:	
Cash and investments with fiscal agents	271,791
Restricted cash and investments	2,848,480
Total	<u>\$ 8,796,941</u>

Cash and investments held by the City at June 30, 2016 consisted of the following:

Cash on hand	\$ 100
Cash deposits	4,730,773
Investments	4,066,068
Total	<u>\$ 8,796,941</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	\$ 102	\$ 102	\$ -	\$ -	\$ -	\$ -
Money Market Funds	531,724	531,724				
Certificates of Deposit	2,744,462	247,513	747,420	1,240,689	252,276	256,564
Held by Bond trustees:						
Money Market Funds	789,780	789,780				
	<u>\$ 4,066,068</u>	<u>\$ 1,569,119</u>	<u>\$ 747,420</u>	<u>\$ 1,240,689</u>	<u>\$ 252,276</u>	<u>\$ 256,564</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) 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	\$ 102	N/A	\$ -	\$ -	\$ -	\$ -	\$ 102
Money Market Funds	531,724	N/A					531,724
Certificates of Deposit	2,744,462	N/A			246,678	1,253,465	1,244,319
Held by bond trustees:							
Money Market Funds	789,780	N/A		789,780			
Total	<u>\$4,066,068</u>		<u>\$ -</u>	<u>\$ 789,780</u>	<u>\$ 246,678</u>	<u>\$ 1,253,465</u>	<u>\$ 1,776,145</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, 2016, \$4,059,750 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 4 – CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The City has the following recurring fair value measurements as of June 30, 2016

<u>Investment by Fair Value</u>	<u>Total</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Debt Securities				
Certificates of Deposit	\$ 2,744,462	\$ 2,744,462	\$ -	\$ -
Total	<u>\$ 2,744,462</u>	<u>\$ 2,744,462</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 – 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 \$2,269,166 as of June 30, 2016. \$12,400 is recorded in the General Fund for one of these loans receivable.

The City loaned Business Program loans to various business owners within the City. As of June 30, 2016, 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, 2016 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, 2016 is \$3,376,904. The fund financial statements reflect deferred revenue in the amount of \$3,376,904 to offset this note receivable, which includes interest. On the statement of net position the City has set up an allowance of \$3,376,904 as of June 30, 2016.

NOTE 5 – LOANS AND NOTES RECEIVABLE (CONTINUED)

On May 9, 2005, the former Redevelopment Agency Low and Moderate Income Housing Fund 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, 2016 was \$ 310,000.

Total program loans receivable outstanding at June 30, 2016 is \$5,976,081, and the fund financial statements reflect deferred inflows of resources of \$5,856,976 to offset the deferred portion of these loans receivable.

NOTE 6 – 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.

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.

NOTE 6 – PROPERTY TAXES (CONTINUED)

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 7 – DEFERRED INFLOWS OF RESOURCES

At June 30, 2016, components of deferred inflows of resources – note receivable reported in the fund financial statements were \$966,772 and \$4,580,204 in the Community Development Block Grant Special Revenue Fund and Home Grant Special Revenue Fund, respectively.

NOTE 8 – 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
2017	\$ 240,000	\$ 74,750	\$ 314,750
2018	250,000	62,500	312,500
2019	260,000	49,750	309,750
2020	275,000	36,375	311,375
2021	285,000	22,375	307,375
2022	305,000	7,625	312,625
	<u>\$ 1,615,000</u>	<u>\$ 253,375</u>	<u>\$ 1,868,375</u>

NOTE 8 – LONG-TERM DEBT (CONTINUED)

A. Business-type Activities (Continued)

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.

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
2017	\$ 43,000	\$ 134,428	\$ 177,428
2018	45,000	132,188	177,188
2019	47,000	130,233	177,233
2020	49,000	128,193	177,193
2021	51,000	126,416	177,416
2022-2026	290,000	595,442	885,442
2027-2031	357,000	526,912	883,912
2032-2036	440,000	442,436	882,436
2037-2041	543,000	338,482	881,482
2042-2046	668,000	209,941	877,941
2047-2050	643,000	56,005	699,005
	<u>\$ 3,176,000</u>	<u>\$ 2,820,676</u>	<u>\$ 5,996,676</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
2017	\$ 14,000	\$ 3,826	\$ 17,826
2018	14,000	3,448	17,448
2019	14,000	3,080	17,080
2020	15,000	2,699	17,699
2021	15,000	2,313	17,313
2022-2026	80,399	5,210	85,609
	<u>\$ 152,399</u>	<u>\$ 20,576</u>	<u>\$ 172,975</u>

NOTE 8 – LONG-TERM DEBT (CONTINUED)

A. Business-type Activities (Continued)

2013 Sewer Revenue Bonds

On December 9, 2013, the City issued \$4,500,000 of 2013 Sewer Revenue Bonds (USDA) for the purpose of refunding the 2003 Sewer Revenue Bonds and 2011 Subordinate Sewer Revenue Notes, to provide a portion of the financing cost of the Outfall Main Project, and pay the costs of issuance. The outstanding principal balance at June 30, 2016 is \$4,346,000.

The bonds are payable from monies to be derived from installment payments, to be made by the City from net revenues of the sewer 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 Sewer Enterprise during each fiscal year, which are at least sufficient to pay for all operation and maintenance costs of the Sewer Enterprise and the installment payments.

The 2013 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.

Interest on the 2013 Sewer Revenue Bonds is 2% and repayments commence December 1, 2014 with final maturity on December 1, 2052. Future minimum debt service payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 80,000	\$ 86,120	\$ 166,120
2018	82,000	84,500	166,500
2019	83,500	82,845	166,345
2020	85,000	81,160	166,160
2021	87,000	79,440	166,440
2022-2026	461,250	370,160	831,410
2027-2031	510,000	321,630	831,630
2032-2036	563,000	268,030	831,030
2037-2041	623,250	208,773	832,023
2042-2046	688,000	143,220	831,220
2047-2051	760,000	70,858	830,858
2052-2053	323,000	6,480	329,480
	<u>\$ 4,346,000</u>	<u>\$ 1,803,216</u>	<u>\$ 6,149,216</u>

CITY OF HOLTVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – LONG-TERM DEBT (CONTINUED)

B. The following is a summary of Long-Term Debt activity for the fiscal year ended June 30, 2016:

Governmental activities	Balance	Additions	Deletions	Balance	Due in one year
	July 1, 2015			June 30, 2016	
Compensated absences	\$ 42,237	\$ 37,268	\$ 19,007	\$ 60,498	\$ 27,224
Claims payable	131,439	467,683	367,836	231,286	
	<u>\$ 173,676</u>	<u>\$ 504,951</u>	<u>\$ 386,843</u>	<u>\$ 291,784</u>	<u>\$ 27,224</u>
Business-type activities					
Compensated absences	\$ 73,399	\$ 9,121	\$ 7,340	\$ 75,180	\$ 7,518
1999 Water Revenue					
Refunding Bonds	1,840,000		225,000	1,615,000	240,000
2009A Water Revenue Bonds	3,217,000		41,000	3,176,000	43,000
2009B Water Revenue Bonds	165,399		13,000	152,399	14,000
2013 Sewer Revenue Bonds	4,425,000		79,000	4,346,000	80,000
	<u>\$ 9,720,798</u>	<u>\$ 9,121</u>	<u>\$ 365,340</u>	<u>\$ 9,364,579</u>	<u>\$ 384,518</u>

NOTE 9 – INTERFUND TRANSACTIONS

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.

A. 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.

	Interfund Receivables	Interfund Payables
Governmental Funds:		
Major Funds:		
General	\$ 376,108	\$ 43,249
Local Transportation		352,309
Nonmajor Funds:		
Special Revenue Funds:		
Façade Improvement Program		2,661
CDBG Grant Sewer Study		13,461
Business Assistance Loan		7,677
Proprietary Funds:		
Major Funds:		
Water	43,249	
Sewer	80,990	
Solid Waste		80,990
	<u>\$ 500,347</u>	<u>\$ 500,347</u>

NOTE 9 – INTERFUND TRANSACTIONS (CONTINUED)

B. Interfund transfers

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

Transfers for the fiscal year ended June 30, 2016 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major Funds:		
General	\$ 550,564	\$ 42,956
Home Grant	2	
Local Transit Authority	40,025	181,614
Local Transportation	31,614	
Nonmajor Funds:		
Special Revenue Funds:		
Gas Tax	22,597	150,000
Homeland Security	9,414	
FEMA	10,943	
Prop 42 Transportation		40,589
Proprietary Funds:		
Major Funds:		
Water		25,000
Sewer		225,000
	<u>\$ 665,159</u>	<u>\$ 665,159</u>

NOTE 10 – 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 \$603,040 for the workers' compensation fund.

Summary financial information for the funds of the PERMA for the fiscal year ended June 30, 2016 is as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Liability</u>
Total assets	\$ 19,178,987	\$ 22,377,077
Total liabilities	17,460,121	4,755,927
Net position	1,718,866	17,621,150
Total revenues	2,945,293	6,334,386
Total expenditures	3,269,617	4,949,224
Net increase (decrease) in net position	(324,324)	1,385,162

NOTE 10 – 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, 2016, the amount of these liabilities was \$231,286. 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 11 – 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 \$18,000 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 12 – 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 13 – CONTINGENCIES AND COMMITMENTS

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

The City is involved in pending lawsuits of a nature common to many similar jurisdictions. City management estimates the potential claims against the City, not covered by insurance, will be immaterial to the financial statements.

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

NOTE 13 – CONTINGENCIES AND COMMITMENTS (CONTINUED)

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, 2016.

Due to a lawsuit against the City, the case was affirmed in favor of the City, except for an award of attorney fees and costs against the City, in favor of another defendant. The judgement is in the amount of \$323,350 as of June 14, 2016. The City's motion to pay in installments over a 10 year period will be heard on February 16, 2017.

NOTE 14 – 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 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED):

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, 2016 was \$46,792.

The former Redevelopment Agency recorded a deferred loss on refunding from the issuance of its 2007 Tax Allocation Bonds in the amount of \$120,952. The amortization period is 360 months, and accumulated amortization as of June 30, 2016 was \$34,943.

As of June 30, 2016, 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.

Accounting gains or losses resulting from advance refunding of long-term debt is deferred in accordance with GASB Statement No. 23 and No. 65. Deferred amount on bond refunding are amortized over the shorter of the life of the new debt or refunded debt. The deferred loss on refunding balance at June 30, 2016 was \$86,009 on the Statement of Net Position Arising from Cash Transactions for Private-Purpose Trust Fund related to the 2007 Tax Allocation Bonds.

Long-term debt of the Successor Agency as of June 30, 2016, 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.

NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED):

2007 Tax Allocation Bonds - Former Community Development Agency Tax Allocation Bonds (Continued)

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 155,000	\$ 309,882	\$ 464,882
2018	160,000	302,636	462,636
2019	165,000	295,038	460,038
2020	175,000	286,960	461,960
2021	185,000	278,228	463,228
2022-2026	1,070,000	1,236,126	2,306,126
2027-2031	1,380,000	912,895	2,292,895
2032-2036	1,800,000	487,350	2,287,350
2037-2038	865,000	47,385	912,385
	<u>\$ 5,955,000</u>	<u>\$ 4,156,500</u>	<u>\$ 10,111,500</u>

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due in one year
2007 Tax Allocation Bonds	\$ 6,100,000	\$ -	\$ 145,000	\$ 5,955,000	\$ 155,000
	<u>\$ 6,100,000</u>	<u>\$ -</u>	<u>\$ 145,000</u>	<u>\$ 5,955,000</u>	<u>\$ 155,000</u>

NOTE 15 – SUBSEQUENT EVENTS

On August 8, 2016, the City Council approved a contract with Development Design & Engineering, Inc. for construction services for the Ninth Street Palm to Olive Improvement Project, in the amount of \$52,765.

On September 12, 2016, the City Council approved a contract with Dynamic Consulting Engineers of Imperial for design engineering services for the Sixth Street segment from Melon Avenue to Holt Avenue Project, in the amount of \$52,392.

On November 14, 2016, the City Council approved an extension for the construction contract with Pacific Hydrotech Corporation for construction activities associated the Wastewater Treatment Plant Improvement Project, which would result in additional compensation not to exceed \$170,000.

NOTE 15 – SUBSEQUENT EVENTS (CONTINUED)

On December 12, 2016, the City Council approved a grant agreement with the Department of the Interior, Bureau of Reclamation, to hire contractors for construction services for the Holtville-Alamo River Wetlands Construction Project, in the amount of \$2,966,000.

NOTE 16 – FINANCIAL CONDITION

The City's business-type activities net position has a deficit of \$6,726,790 at June 30, 2016, which includes deficit net position of \$4,117,176 in the Water Fund, \$2,528,64 in the Sewer Fund, and \$80,990 in the Solid Waste Fund. As of June 30, 2016, the City's General Fund had temporarily loaned \$376,108 to other funds that had negative cash balances as of June 30, 2016, and the Sewer Fund had temporarily loaned \$80,990 to the Solid Waste Fund which had negative cash as of June 30, 2016. 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.

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$300,000 in the Statement of Activities – governmental activities was made, due to an understatement of loans receivable in the prior fiscal year.

A prior period adjustment of \$2,335,348 was made in the RDA Successor Agency Fund Private-Purpose Trust Fund, due to an understatement of restricted cash and investments in the prior fiscal year.

A prior period adjustment of \$2,635,348 was made in the RDA Low/Mod Successor Agency Fund Private-Purpose Trust Fund, due to an overstatement of notes receivable of \$30,000 and an overstatement of restricted cash and investments in the prior fiscal year.

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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, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected				
Taxes:				
Secured and unsecured property taxes	\$ 112,700	\$ 112,450	\$ 106,256	\$ (6,194)
Utility users taxes	446,500	446,500	479,255	32,755
Sales and use taxes	370,000	370,000	380,815	10,815
Franchise taxes	94,000	94,000	124,239	30,239
Other taxes	32,100	32,100	32,460	360
Licenses and permits	625	625	6,895	6,270
Fines and penalties	2,800	2,800	1,014	(1,786)
Investment revenue collected	8,300	8,300	9,536	1,236
Intergovernmental revenue collected	858,692	858,692	857,953	(739)
Charges for current services	73,300	73,300	114,211	40,911
Contributions from private-purpose trust fund	125,000	125,000	241,000	116,000
Other revenues collected	36,250	36,250	828,042	791,792
Total revenues collected	2,160,267	2,160,017	3,181,676	1,021,659
Expenditures Paid				
General Government:				
City council	37,322	37,322	33,885	3,437
City manager	232,904	232,904	241,935	(9,031)
Planning	77,920	77,920	94,282	(16,362)
Engineering	30,000	30,000	9,145	20,855
City clerk	21,665	21,665	18,185	3,480
Finance office	153,615	153,615	148,131	5,484
City treasurer	1,925	1,925	1,463	462
City attorney	80,000	80,000	106,045	(26,045)
Non-departmental	130,900	130,900	123,900	7,000
Total general government	766,251	766,251	776,971	(10,720)
Public Safety:				
Police department	818,550	818,550	869,486	(50,936)
Dispatch services	114,100	114,100	101,712	12,388
Animal control	15,772	15,772	16,148	(376)
Fire department	464,399	464,399	497,930	(33,531)
Total public safety	1,412,821	1,412,821	1,485,276	(72,455)

(Continued)

CITY OF HOLTVILLESCHEDULE 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, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures Paid (continued)				
Public Works:				
Street maintenance	\$ 121,767	\$ 121,767	\$ 157,258	\$ (35,491)
Parks maintenance	164,869	164,869	140,268	24,601
Building maintenance	69,250	69,250	70,779	(1,529)
Total public works	355,886	355,886	368,305	(12,419)
Total expenditures paid	2,534,958	2,534,958	2,630,552	(95,594)
Excess of revenues collected over (under) expenditures paid	(374,691)	(374,941)	551,124	926,065
Other Financing Sources (Uses):				
Transfers in	550,000	550,000	550,564	564
Transfers out			(42,956)	(42,956)
Total other financing sources (uses)	550,000	550,000	507,608	(42,392)
Net changes in fund balances before Extraordinary Items	175,309	175,059	1,058,732	883,673
Extraordinary Item				
Loss on transfer of assets and liabilities to RDA successor trust funds			(219,687)	(219,687)
Net changes in fund balances	175,309	175,059	839,045	663,986
Fund balance - July 1, 2015	801,473	801,473	801,473	
Fund balance - June 30, 2016	\$ 976,782	\$ 976,532	\$ 1,640,518	\$ 663,986

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, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected:				
Investment earnings	\$ -	\$ -	\$ 348	\$ 348
Intergovernmental	475,000	475,000	468,751	(6,249)
Total revenues collected	475,000	475,000	469,099	(5,901)
Expenditures Paid:				
Capital outlay	154,380	154,380	60	154,320
Total expenditures paid	154,380	154,380	60	154,320
Excess of revenues collected over (under) expenditures paid	320,620	320,620	469,039	148,419
Other Financing Sources (Uses):				
Transfers in			40,025	40,025
Transfers out	(150,000)	(150,000)	(181,614)	(31,614)
Total other financing sources (uses)	(150,000)	(150,000)	(141,589)	8,411
Net change in fund balance	170,620	170,620	327,450	156,830
Fund balance, July 1, 2015	553,610	553,610	553,610	
Fund balance, June 30, 2016	\$ 724,230	\$ 724,230	\$ 881,060	\$ 156,830

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, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected:				
Intergovernmental	\$ 932,587	\$ 932,587	\$ 820,447	\$ (112,140)
Total revenues collected	932,587	932,587	820,447	(112,140)
Expenditures Paid:				
Capital outlay	932,587	932,587	313,265	619,322
Total expenditures paid	932,587	932,587	313,265	619,322
Excess of revenues collected over (under) expenditures paid			507,182	507,182
Net change in fund balance			538,796	538,796
Fund balance (deficit), July 1, 2015	(891,105)	(891,105)	(891,105)	
Fund balance (deficit), June 30, 2016	\$ (891,105)	\$ (891,105)	\$ (352,309)	\$ 538,796

OTHER SUPPLEMENTAL INFORMATION

CITY OF HOLTVILLE

COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES

ARISING FROM CASH TRANSACTIONS - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue Funds			
	Gas Tax Fund	Bikepath Fund	Homeland Security Fund	FEMA Fund
ASSETS				
Cash and investments	\$ 412,599	\$ 26,570	\$ -	\$ -
Notes receivable				
Total assets	<u>\$ 412,599</u>	<u>\$ 26,570</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deferred revenue				
Total liabilities				
Fund Balances:				
Restricted	412,599	26,570		
Unassigned				
Total fund balances (deficit)	<u>412,599</u>	<u>26,570</u>		
Total liabilities and fund balances	<u>\$ 412,599</u>	<u>\$ 26,570</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds						
Façade Improvement Program Fund	Prop 42 Transportation Fund	CDBG Grant Sewer Study Fund	Business Assistance Loan Fund	Low/Mod Housing Fund		Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 439,169
				310,000		310,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310,000</u>		<u>\$ 749,169</u>
\$ 2,661	\$ -	\$ 13,461	\$ 7,677	\$ -	\$ -	\$ 23,799
				310,000		310,000
<u>2,661</u>		<u>13,461</u>	<u>7,677</u>	<u>310,000</u>		<u>333,799</u>
						439,169
<u>(2,661)</u>		<u>(13,461)</u>	<u>(7,677)</u>			<u>(23,799)</u>
<u>(2,661)</u>		<u>(13,461)</u>	<u>(7,677)</u>			<u>415,370</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310,000</u>		<u>\$ 749,169</u>

CITY OF HOLTVILLE

COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES ARISING FROM CASH
TRANSACTIONS - NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	Special Revenue Funds			
	Gas Tax Fund	Bikepath Fund	Homeland Security Fund	FEMA Fund
Revenues Collected:				
Taxes and other assessments	\$ 137,274	\$ -	\$ -	\$ -
Investment earnings	378			
Intergovernmental		26,930		
Total revenues collected	<u>137,652</u>	<u>26,930</u>		
Expenditures Paid:				
Public safety				
Public works				
Capital outlay				
Total expenditures paid				
Excess of revenues collected over (under) expenditures paid	<u>137,652</u>	<u>26,930</u>		
Other Financing Sources (Uses):				
Transfers in	22,597		9,414	10,943
Transfers out	(150,000)			
Total other financing sources (uses)	<u>(127,403)</u>		<u>9,414</u>	<u>10,943</u>
Net changes in fund balances	10,249	26,930	9,414	10,943
Fund balances (deficit), July 1, 2015	<u>402,350</u>	<u>(360)</u>	<u>(9,414)</u>	<u>(10,943)</u>
Prior period adjustments				
Fund balances (deficit), July 1, 2015, restated	<u>402,350</u>	<u>(360)</u>	<u>(9,414)</u>	<u>(10,943)</u>
Fund balances (deficit), June 30, 2016	<u><u>\$ 412,599</u></u>	<u><u>\$ 26,570</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Special Revenue Funds					
Façade Improvement Program Fund	Prop 42 Transportation Fund	CDBG Grant Sewer Study Fund	Business Assistance Loan Fund	Low/Mod Housing Fund	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,274
					378
					26,930
					164,582
					164,582
					42,954
	(40,589)				(190,589)
	(40,589)				(147,635)
	(40,589)				16,947
(2,661)	40,589	(13,461)	(7,677)		398,423
(2,661)	40,589	(13,461)	(7,677)		398,423
\$ (2,661)	\$ -	\$ (13,461)	\$ (7,677)	\$ -	\$ 415,370

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

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:			
Taxes and other assessments	\$ 146,257	\$ 137,274	\$ (8,983)
Investment earnings	800	378	(422)
	<u>147,057</u>	<u>137,652</u>	<u>(9,405)</u>
Other Financing Sources (Uses):			
Transfers in		22,597	22,597
Transfers out	(150,000)	(150,000)	
	<u>(150,000)</u>	<u>(127,403)</u>	<u>22,597</u>
Total other financing sources (uses)			
	(2,943)	10,249	13,192
Fund balance, July 1, 2015	<u>402,350</u>	<u>402,350</u>	
Fund balance, June 30, 2016	<u>\$ 399,407</u>	<u>\$ 412,599</u>	<u>\$ 13,192</u>

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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues Collected:			
Intergovernmental	\$ 10,000	\$ 26,930	\$ 16,930
Total revenues collected	<u>10,000</u>	<u>26,930</u>	<u>16,930</u>
Net change in fund balance	10,000	26,930	16,930
Fund balance (deficit), July 1, 2015	<u>(360)</u>	<u>(360)</u>	
Fund balance, June 30, 2016	<u><u>\$ 9,640</u></u>	<u><u>\$ 26,570</u></u>	<u><u>\$ 16,930</u></u>

CITY OF HOLTVILLE

STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES
IN FUND BALANCE ARISING FROM CASH TRANSACTIONS - BUDGET AND ACTUAL
PROP 42 TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses):			
Transfers out	\$ -	\$ (40,589)	\$ (40,589)
Total other financing sources (uses)		(40,589)	(40,589)
Net change in fund balance		(40,589)	(40,589)
Fund balance, July 1, 2015	40,589	40,589	
Fund balance, June 30, 2016	<u>\$ 40,589</u>	<u>\$ -</u>	<u>\$ (40,589)</u>

PRIVATE-PURPOSE TRUST FUNDS

CITY OF HOLTVILLE
PRIVATE-PURPOSE TRUST FUND
COMBINING STATEMENT OF NET POSITION
ARISING FROM CASH TRANSACTIONS
June 30, 2016

	RDA Low/Mod Successor Agency Fund	RDA Successor Agency Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments with fiscal agents	\$ -	\$ 469,061	\$ 469,061
Restricted cash and investments		2,651,210	2,651,210
Notes receivable		46,792	46,792
Capital assets, not being depreciated		437,894	437,894
	<u> </u>	<u> </u>	<u> </u>
Total assets		3,604,957	3,604,957
	<u> </u>	<u> </u>	<u> </u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding		86,009	86,009
	<u> </u>	<u> </u>	<u> </u>
Total deferred outflows of resources		86,009	86,009
	<u> </u>	<u> </u>	<u> </u>
Total assets and deferred outflows of resources		3,690,966	3,690,966
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES			
Long-term debt, due within one year		155,000	155,000
Long-term debt, due in more than one year		5,800,000	5,800,000
	<u> </u>	<u> </u>	<u> </u>
Total liabilities		5,955,000	5,955,000
	<u> </u>	<u> </u>	<u> </u>
NET POSITION (DEFICIT)			
Unrestricted		(2,264,034)	(2,264,034)
	<u> </u>	<u> </u>	<u> </u>
Total net position (deficit)	\$ -	\$ (2,264,034)	\$ (2,264,034)
	<u> </u>	<u> </u>	<u> </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, 2016

	RDA Low/Mod Successor Agency Fund	RDA Successor Agency Fund	Totals
Additions:			
Investment revenue	\$ -	\$ 44,093	\$ 44,093
Tax and assessments		669,177	669,177
Forgiveness of uncollectible debt		219,687	219,687
Total Additions		932,957	932,957
Deductions:			
Administration		243,885	243,885
Interest expense		316,595	316,595
Amortization expense		4,032	4,032
Total deductions		564,512	564,512
Change in net position		368,445	368,445
Net Position (Deficit) - July 1, 2015	2,635,348	(4,967,827)	(2,332,479)
Prior Period Adjustments	(2,635,348)	2,335,348	(300,000)
Net Position - July 1, 2015, Restated		(2,632,479)	(2,632,479)
Net Position (Deficit) - June 30, 2016	\$ -	\$ (2,264,034)	\$ (2,264,034)