

CITY OF HOLTVILLE

FINANCIAL STATEMENTS

June 30, 2018



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2018, 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, 2018, 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.

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, 2018.

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 issued our report dated March 27, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
March 27, 2019

CITY OF HOLTVILLE
STATEMENT OF NET POSITION
ARISING FROM CASH TRANSACTIONS
June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 4,776,435	\$ 2,698,512	\$ 7,474,947
Cash and investments with fiscal agent		320,253	320,253
Restricted cash and investments		324,346	324,346
Loans receivable, net of allowance	<u>2,197,796</u>		<u>2,197,796</u>
Total Assets	<u>6,974,231</u>	<u>3,343,111</u>	<u>10,317,342</u>
Liabilities:			
Noncurrent liabilities:			
Due within one year	61,804	572,504	634,308
Due in more than one year	<u>370,631</u>	<u>11,647,517</u>	<u>12,018,148</u>
Total Liabilities	<u>432,435</u>	<u>12,220,021</u>	<u>12,652,456</u>
Net Position:			
Restricted for:			
Other purposes	4,248,902		4,248,902
Unrestricted	<u>2,292,894</u>	<u>(8,876,910)</u>	<u>(6,584,016)</u>
Total Net Position (Deficit)	<u>\$ 6,541,796</u>	<u>\$ (8,876,910)</u>	<u>\$ (2,335,114)</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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ 602,768	\$ 12,528	\$ -	\$ -
Public safety	1,641,912	6,093	618,951	
Public works	1,618,830	38,775	138,557	1,490,281
Community development	1,158	32,718	70,855	
Total Governmental Activities	3,864,668	90,114	828,363	1,490,281
Business-type Activities:				
Water	1,160,050	1,575,115		
Sewer	1,248,025	1,515,453		
Solid waste	237,134	253,561		
Total Business-type Activities	2,645,209	3,344,129		
Total Primary Government	\$ 6,509,877	\$ 3,434,243	\$ 828,363	\$ 1,490,281

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

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
\$ (590,240)	\$ -	\$ (590,240)
(1,016,868)		(1,016,868)
48,783		48,783
102,415		102,415
<u>(1,455,910)</u>		<u>(1,455,910)</u>
	415,065	415,065
	267,428	267,428
	16,427	16,427
	<u>698,920</u>	<u>698,920</u>
<u>(1,455,910)</u>	<u>698,920</u>	<u>(756,990)</u>
342,496		342,496
460,973		460,973
685,226		685,226
115,318		115,318
42,706		42,706
551,315		551,315
10,147	6,364	16,511
34,494		34,494
337,899		337,899
250,000	(250,000)	
<u>2,830,574</u>	<u>(243,636)</u>	<u>2,586,938</u>
1,374,664	455,284	1,829,948
5,167,132	(5,943,939)	(776,807)
	(3,388,255)	(3,388,255)
<u>5,167,132</u>	<u>(9,332,194)</u>	<u>(4,165,062)</u>
<u>\$ 6,541,796</u>	<u>\$ (8,876,910)</u>	<u>\$ (2,335,114)</u>

CITY OF HOLTVILLE
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS -
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Special Revenue Funds	
		Community Development Block Grant Fund	Home Grant Fund
Assets			
Cash and investments	\$ 2,303,580	\$ 802,188	\$ 64,062
Due from other funds	50,085		
Loans receivable	91,749	670,019	4,542,930
Total assets	<u>\$ 2,445,414</u>	<u>\$ 1,472,207</u>	<u>\$ 4,606,992</u>
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Total liabilities			
Deferred Inflows of Resources:			
Deferred revenue		563,315	4,542,930
Total deferred inflows of resources		563,315	4,542,930
Total liabilities and deferred inflows of resources		563,315	4,542,930
Fund Balances:			
Nonspendable	91,749		
Restricted		908,892	64,062
Unassigned	2,353,665		
Total fund balances (deficits)	<u>2,445,414</u>	<u>908,892</u>	<u>64,062</u>
Total liabilities and fund balances	<u>\$ 2,445,414</u>	<u>\$ 1,472,207</u>	<u>\$ 4,606,992</u>

See accompanying notes to basic financial statements

Special Revenue Funds		Other Governmental Funds	Total Governmental Funds
Local Transit Authority Fund	Local Transportation Fund		
\$ 1,144,974	\$ -	\$ 461,631	\$ 4,776,435
		330,000	50,085
			5,634,698
<u>\$ 1,144,974</u>	<u>\$ -</u>	<u>\$ 791,631</u>	<u>\$ 10,461,218</u>
\$ -	\$ 50,085	\$ -	\$ 50,085
	50,085		50,085
		330,000	5,436,245
		330,000	5,436,245
	50,085	330,000	5,486,330
1,144,974	(50,085)	461,631	91,749
			2,579,559
			2,303,580
<u>1,144,974</u>	<u>(50,085)</u>	<u>461,631</u>	<u>4,974,888</u>
<u>\$ 1,144,974</u>	<u>\$ -</u>	<u>\$ 791,631</u>	<u>\$ 10,461,218</u>

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, 2018**

Fund balances of governmental funds	\$ 4,974,888
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	5,436,245
Allowance for an uncollectible loan has been set up in the amount of \$3,436,902 for a certain loan receivable.	
	(3,436,902)
Long-term debt and compensated absences have not been included in the governmental funds.	
Compensated absences	(50,039)
Settlement agreement	(198,842)
Claims payable	(183,554)
	<hr/>
Net position of governmental activities	\$ <u>6,541,796</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, 2018

	General Fund	Special Revenue Funds	
		Community Development Block Grant Fund	Home Grant Fund
Revenues Collected:			
Taxes	\$ 1,487,988	\$ -	\$ -
Licenses, permits, and impact fees	1,570		
Fines and penalties	949		
Investment earnings	7,576	157	22
Intergovernmental	1,170,266		
Charges for current services	87,595		
Other revenues collected	24,347		
Contributions from private-purpose trust fund	337,899		
Program income		60,292	9,108
Total revenues collected	<u>3,118,190</u>	<u>60,449</u>	<u>9,130</u>
Expenditures Paid:			
General government	670,872		
Public safety	1,643,098		
Public works	396,562		
Community development		1,159	
Capital outlay			
Total expenditures paid	<u>2,710,532</u>	<u>1,159</u>	
Excess of revenues collected over (under) expenditures paid	<u>407,658</u>	<u>59,290</u>	<u>9,130</u>
Other Financing Sources (Uses):			
Transfers in	500,000		
Transfers out			
Total other financing sources (uses)	<u>500,000</u>		
Net changes in fund balances	907,658	59,290	9,130
Fund balances (deficits), July 1, 2017	<u>1,537,756</u>	<u>849,602</u>	<u>54,932</u>
Fund balances (deficits), June 30, 2018	<u>\$ 2,445,414</u>	<u>\$ 908,892</u>	<u>\$ 64,062</u>

See accompanying notes to basic financial statements

Special Revenue Funds			
Local Transit Authority Fund	Local Transportation Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 158,731	\$ 1,646,719
			1,570
			949
1,147		1,245	10,147
524,745	1,474,224	16,057	3,185,292
			87,595
			24,347
			337,899
			69,400
525,892	1,474,224	176,033	5,363,918
			670,872
			1,643,098
		10,214	406,776
			1,159
	1,212,348		1,212,348
	1,212,348	10,214	3,934,253
525,892	261,876	165,819	1,429,665
	277,369		777,369
(402,369)		(125,000)	(527,369)
(402,369)	277,369	(125,000)	250,000
123,523	539,245	40,819	1,679,665
1,021,451	(589,330)	420,812	3,295,223
\$ 1,144,974	\$ (50,085)	\$ 461,631	\$ 4,974,888

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, 2018

Net change in fund balances - total governmental funds \$ 1,679,665

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. (374,586)

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	16,960
Decrease in settlement agreement	50,660

Compensated absence increased (earned) 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. 1,965

Change in net position of governmental activities \$ 1,374,664

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, 2018

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Solid Waste Fund	
ASSETS				
Current Assets:				
Cash and investments	\$ 441,678	\$ 2,256,834	\$ -	\$ 2,698,512
Cash and investments with fiscal agent	320,253			320,253
Restricted cash and investments	220,446	103,900		324,346
Due from other funds		48,045		48,045
Total assets	982,377	2,408,779		3,391,156
LIABILITIES				
Current Liabilities:				
Due to other funds			48,045	48,045
Compensated absences	4,196	3,945		8,141
Current portion of long-term liabilities	321,000	243,363		564,363
Total current liabilities	325,196	247,308	48,045	620,549
Long-Term Liabilities:				
Compensated absences	37,768	35,507		73,275
Bonds payable	4,016,399	7,557,843		11,574,242
Total long-term liabilities	4,054,167	7,593,350		11,647,517
Total liabilities	4,379,363	7,840,658	48,045	12,268,066
NET POSITION (DEFICIT)				
Unrestricted	(3,396,986)	(5,431,879)	(48,045)	(8,876,910)
Total net position (deficit)	\$ (3,396,986)	\$ (5,431,879)	\$ (48,045)	\$ (8,876,910)

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, 2018

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Solid Waste Fund	
Operating Revenues Collected:				
Charges for services	\$ 1,575,115	\$ 1,515,453	\$ 253,561	\$ 3,344,129
Total operating revenues collected	1,575,115	1,515,453	253,561	3,344,129
Operating Expenses Paid:				
Salaries and wages	274,588	339,747		614,335
Payroll expenses	97,350	98,165		195,515
Training, safety, and clothing	12,760	15,001		27,761
Materials, supplies, and services	577,207	209,046	237,134	1,023,387
Total operating expenses paid	961,905	661,959	237,134	1,860,998
Operating income arising from cash transactions	613,210	853,494	16,427	1,483,131
Non-Operating Revenues Collected (Expenses Paid):				
Investment earnings	1,526	4,838		6,364
Interest expense	(198,145)	(153,083)		(351,228)
Capital outlay		(432,983)		(432,983)
Total non-operating revenues collected (expenses paid)	(196,619)	(581,228)		(777,847)
Income (loss) arising from cash transactions before transfers	416,591	272,266	16,427	705,284
Transfers:				
Transfers out	(125,000)	(125,000)		(250,000)
Changes in net position	291,591	147,266	16,427	455,284
Net position (deficit), beginning of the fiscal year	(3,688,577)	(2,190,890)	(64,472)	(5,943,939)
Prior period adjustments		(3,388,255)		(3,388,255)
Net position (deficit), beginning of fiscal year, restated	(3,688,577)	(5,579,145)	(64,472)	(9,332,194)
Net position (deficit), end of the fiscal year	\$ (3,396,986)	\$ (5,431,879)	\$ (48,045)	\$ (8,876,910)

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, 2018

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Solid Waste Fund	
Cash Flows from Operating Activities:				
Receipts from user charges	\$ 1,575,115	\$ 1,515,453	\$ 253,561	\$ 3,344,129
Interfund loan receipts (disbursements)		16,427	(16,427)	
Payments to suppliers	(687,317)	(322,212)	(237,134)	(1,246,663)
Payments for salaries	(271,196)	(339,658)		(610,854)
Net Cash Provided (Used) by Operating Activities	616,602	870,010		1,486,612
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets		(432,983)		(432,983)
Capital grants received		388,958		388,958
Principal paid	(309,000)	(242,007)		(551,007)
Interest paid	(198,145)	(153,083)		(351,228)
Net Cash Provided (Used) for Capital and Related Financing Activities	(507,145)	(439,115)		(946,260)
Cash Flows from Non-Capital Financing Activities:				
Transfers paid	(125,000)	(125,000)		(250,000)
Net Cash Provided (Used) from Non-Capital Financing Activities	(125,000)	(125,000)		(250,000)
Cash Flows from Investing Activities:				
Interest received	1,526	4,838		6,364
Net Cash Provided (Used) from Investing Activities	1,526	4,838		6,364
Increase (decrease) in cash and cash equivalents	(14,017)	310,733		296,716
Cash and cash equivalents, beginning of fiscal year	996,394	2,050,001		3,046,395
Cash and cash equivalents, end of fiscal year	\$ 982,377	\$ 2,360,734	\$ -	\$ 3,343,111
Reconciliation to Statement of Net Position:				
Cash and investments	\$ 441,678	\$ 2,256,834	\$ -	\$ 2,698,512
Cash and investments with fiscal agents	320,253			320,253
Restricted cash and investments	220,446	103,900		324,346
Total cash and cash equivalents, end of fiscal year	\$ 982,377	\$ 2,360,734	\$ -	\$ 3,343,111

(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, 2018

	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	\$ 613,210	\$ 853,494	\$ 16,427	\$ 1,483,131
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		16,427		16,427
Increase (decrease) in due to other funds			(16,427)	(16,427)
Increase (decrease) in compensated absences	3,392	89		3,481
Net Cash Provided (Used) by Operating Activities	<u>\$ 616,602</u>	<u>\$ 870,010</u>	<u>\$ -</u>	<u>\$ 1,486,612</u>

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
FIDUCIARY FUND
STATEMENT OF NET POSITION ARISING FROM CASH TRANSACTIONS
June 30, 2018

	Private-Purpose Trust Fund
	<u> </u>
ASSETS	
Cash and investments with fiscal agents	\$ 469,568
Restricted cash and investments	2,798,845
Notes receivable	27,303
Capital assets, not being depreciated	<u>437,894</u>
Total assets	<u>3,733,610</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding of debt	<u>77,943</u>
Total deferred outflows of resources	<u>77,943</u>
Total assets and deferred outflows of resources	<u>3,811,553</u>
LIABILITIES	
Long-term debt, due within one year	165,000
Long-term debt, due in more than one year	<u>5,475,000</u>
Total liabilities	<u>5,640,000</u>
NET POSITION (DEFICIT)	
Restricted for debt service	
Unrestricted	<u>(1,828,447)</u>
Total net position (deficit)	<u><u>\$ (1,828,447)</u></u>

See accompanying notes to basic financial statements

CITY OF HOLTVILLE**FIDUCIARY FUND****STATEMENT OF CHANGE IN FIDUCIARY NET POSITION ARISING FROM CASH TRANSACTIONS**For the Fiscal Year Ended June 30, 2018

	Private-Purpose Trust Fund
Additions:	
Investment revenue	\$ 4,072
Tax and assessments	754,810
Forgiveness of uncollectible debt	2,731
	<hr/>
Total additions	761,613
	<hr/>
Deductions:	
Interest expense	302,636
Amortization expense	4,033
Contributions to City of Holtville	337,899
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Total deductions	644,568
	<hr/>
Change in net position	117,045
Net Position (Deficit) - July 1, 2017	<hr/> (1,945,492)
Net Position (Deficit) - June 30, 2018	<hr/> <u>\$ (1,828,447)</u>

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 Nos. 39, 61, and 80 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 (AICPA). 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. The 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 project(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 Fund** is 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, Façade Improvement Program Fund, CDBG Grant Sewer Study Fund, Business Assistance Loan Fund, or Low/Mod Housing 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

One time per year, Classified employees of the City may receive cash compensation for accrued vacation in excess of two times their annual accrual. One time per year, Management employees may receive cash compensation for accrued vacation in excess of three weeks. Cash compensation for unused sick leave is only payable to management employees with accrued sick hours in excess of 212 hours, or upon termination, and is compensated at 25% of the accrued sick leave to be converted.

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, 2018, the City had recorded restricted net position in the Governmental Activities and Business-type Activities as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Restricted for:		
Community development	\$ 1,472,207	\$ -
HOME grant program	1,170,090	
Transportation	1,144,974	
Streets and roads	461,631	
Total Restricted	<u>\$ 4,248,902</u>	<u>\$ -</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.

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, 2018 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:							
Housing Rehabilitation and Business Program Loans							
	\$ 91,749	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,749
<i>Total Nonspendable</i>	<u>91,749</u>						<u>91,749</u>
Restricted for:							
Community Development		908,892	64,062				972,954
Transportation				1,144,974			1,144,974
Streets and Roads						461,631	461,631
<i>Total Restricted</i>		<u>908,892</u>	<u>64,062</u>	<u>1,144,974</u>		<u>461,631</u>	<u>2,579,559</u>
Unassigned	2,353,665				(50,085)		2,303,580
<i>Total Fund Balances</i>	<u>\$ 2,445,414</u>	<u>\$ 908,892</u>	<u>\$ 64,062</u>	<u>\$ 1,144,974</u>	<u>\$ (50,085)</u>	<u>\$ 461,631</u>	<u>\$ 4,974,888</u>

P. Future Accounting Pronouncements

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

Statement No. 83	Certain Asset Retirement Obligations	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 84	Fiduciary Activities	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 87	Leases	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 88	Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 89	Accounting for Interest Cost incurred before the End of a Construction Period	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 90	Majority Equity Interests	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.

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

Q. 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	\$ 50,039
Settlement agreement	198,842
Claims Payable	183,554
	<u>\$ 432,435</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances and Net Position

Deficit net position of \$3,396,986, \$5,431,879, and \$48,045 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 \$50,085 in the Local Transportation 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.

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures over Appropriations

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

<u>FUND</u>	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	<u>EXCESS</u>
Major Funds:			
General:			
Public safety	\$ 1,523,094	\$ 1,643,098	\$ 120,004

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	\$ 7,474,947
Cash and investments with fiscal agents	320,253
Restricted cash and investments	324,346
Statement of Fiduciary Net Position:	
Cash and investments with fiscal agents	469,568
Restricted cash and investments	<u>2,798,845</u>
Total	<u>\$ 11,387,959</u>

Cash and investments held by the City at June 30, 2018 consisted of the following:

Cash on hand	\$ 100
Cash deposits	4,959,627
Investments	<u>6,428,232</u>
Total	<u>\$ 11,387,959</u>

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City’s investment policy.

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the City’s Investment Policy (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	\$65 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	30%	15%
Medium Term Corporate Notes	5 years	30%	10%
Time deposits	N/A	25%	15%

As of June 30, 2018, the portfolio percentage of the City’s certificates of deposit exceed allowable investment instruments per the California Government Code and the City’s policy.

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	None
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	13-24 Months	25-36 Months	37-48 Months	More Than 48 Months
State Investment Pool	\$ 1,672,840	\$ 1,672,840	\$ -	\$ -	\$ -	\$ -
Money Market Funds	60,679	60,679				
Certificates of Deposit	3,904,892	1,977,434	488,792	727,185	474,524	236,957
Investments with Fiscal Agent:						
Money Market Funds	789,821	789,821				
Total	<u>\$ 6,428,232</u>	<u>\$ 4,500,774</u>	<u>\$ 488,792</u>	<u>\$ 727,185</u>	<u>\$ 474,524</u>	<u>\$ 236,957</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	\$ 1,672,840	N/A	\$ -	\$ -	\$ -	\$ -	\$ 1,672,840
Money Market Funds	60,679	N/A					60,679
Certificates of Deposit	3,904,892	N/A					3,904,892
Investments with Fiscal Agent:							
Money Market Funds	789,821	N/A		789,821			
Total	<u>\$ 6,428,232</u>		<u>\$ -</u>	<u>\$ 789,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,638,411</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. Investments in any one issuer (other than money market funds and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Various Private Banks	Certificates of Deposit	\$3,904,892

Investment in any one issuer that represent 5% or more of total investments by reporting unit (primary government, governmental activities, business type activities, fiduciary fund, major funds, nonmajor funds in the aggregate, etc.) are as follows:

\$3,904,892 of the cash and investments (including amounts held by bond trustee) reported in the governmental and business-type activities are held in various private banks.

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, 2018, \$4,549,676 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, 2018

Investment by Fair Value	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Money Market Funds	\$ 60,679	\$ 60,679	\$ -	\$ -
Certificates of Deposit	3,904,892	3,904,892		
Total	<u>\$ 3,965,571</u>	<u>\$ 3,965,571</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 \$1,867,796 as of June 30, 2018. \$91,749 is recorded in the General Fund for one of these loans receivable.

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, 2018 is \$3,436,902. The fund financial statements reflect deferred revenue in the amount of \$3,436,902 to offset this note receivable, which includes interest. On the statement of net position, the City has set up an allowance of \$3,436,902, as of June 30, 2018.

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, 2018 was \$ 330,000.

Total program loans receivable outstanding at June 30, 2018 is \$5,634,698, and the fund financial statements reflect deferred inflows of resources of \$5,436,245 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, 2018, components of deferred inflows of resources – note receivable reported in the fund financial statements were \$563,315, \$4,542,930, and \$330,000 in the Community Development Block Grant Special Revenue Fund, Home Grant Special Revenue Fund, and Low/Mod Housing Special Revenue Fund, respectively.

NOTE 8 – LONG-TERM DEBT

A. Governmental Activities

Settlement Agreement

During the fiscal year 2016-17, the City entered into a settlement agreement with Barton Properties, Inc. (Barton). Due to a lawsuit against the City, the case was affirmed in favor of the City, except for an award of attorney fees and cost against the City. The settlement is in the amount of \$258,739 as of February 16, 2017. The terms of the settlement agreement call for the City to pay the Barton seven annual installments of \$53,052 at 7% interest, beginning fiscal year 2016-17 and ending fiscal year 2022-23.

The remaining annual settlement payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 39,286	\$ 13,766	\$ 53,052
2020	41,883	11,169	53,052
2021	44,792	8,260	53,052
2022	47,950	5,102	53,052
2023	24,931	1,745	26,676
	<u>\$ 198,842</u>	<u>\$ 40,042</u>	<u>\$ 238,884</u>

NOTE 8 – LONG-TERM DEBT (CONTINUED)

B. Business-type Activities

1999 Water Revenue Refunding Bonds

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

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

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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>\$ 1,125,000</u>	<u>\$ 116,125</u>	<u>\$ 1,241,125</u>

2009A and 2009B Water Revenue Bonds (USDA)

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

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

NOTE 8 – LONG-TERM DEBT (CONTINUED)

B. Business-type Activities (Continued)

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

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

The 2009A bond issue matures each July 1 beginning in 2010 with final maturity in the fiscal year 2050. The interest rate is 4.25%. Future minimum debt service payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 47,000	\$ 130,233	\$ 177,233
2020	49,000	128,193	177,193
2021	51,000	126,416	177,416
2022	56,000	123,857	179,857
2023	53,000	121,540	174,540
2024-2028	315,000	569,704	884,704
2029-2033	388,000	495,523	883,523
2034-2038	479,000	403,351	882,351
2039-2043	590,000	290,126	880,126
2044-2048	725,000	150,706	875,706
2049-2050	335,000	14,366	349,366
	<u>\$ 3,088,000</u>	<u>\$ 2,554,015</u>	<u>\$ 5,642,015</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
2019	\$ 14,000	\$ 3,080	\$ 17,080
2020	15,000	2,699	17,699
2021	15,000	2,313	17,313
2022	16,000	1,899	17,899
2023	16,000	1,479	17,479
2024-2026	48,399	1,834	50,233
	<u>\$ 124,399</u>	<u>\$ 13,304</u>	<u>\$ 137,703</u>

NOTE 8 – LONG-TERM DEBT (CONTINUED)

B. 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, 2018 is \$4,184,000.

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
2019	\$ 83,500	\$ 82,845	\$ 166,345
2020	85,000	81,160	166,160
2021	87,000	79,440	166,440
2022	88,500	77,685	166,185
2023	90,500	75,895	166,395
2024-2028	480,250	351,332	831,582
2029-2033	530,500	300,825	831,325
2034-2038	586,250	245,041	831,291
2039-2043	649,000	183,330	832,330
2044-2048	716,000	115,139	831,139
2049-2053	787,500	39,904	827,404
	<u>\$ 4,184,000</u>	<u>\$ 1,632,596</u>	<u>\$ 5,816,596</u>

NOTE 8 – LONG-TERM DEBT (CONTINUED)

B. Business-type Activities (Continued)

2014 Sewer Revenue Bonds

On July 28, 2014, the City entered into a financing agreement through the State Water Resources Control Board Clean Water State Revolving Fund (CWSRF) for the Holtville Wastewater Treatment Plant Improvement Project in the amount of \$7,828,918, of which \$4,000,000 is a forgivable loan and the City further expects NADBank to issue a funding commitment via a Sub-Grant Agreement through the United States Environmental Protection Agency’s (USEPA) Boarder Environment Infrastructure Fund (BEFIF). The outstanding principal balance at June 30, 2018 is \$3,617,205.

Interest on the 2014 Sewer Revenue Loans is 1.9% and repayments commence April 1, 2018 with final maturity on April 21, 2037. Future minimum debt service payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 159,863	\$ 68,727	\$ 228,590
2020	162,900	65,690	228,590
2021	165,995	62,595	228,590
2022	169,149	59,441	228,590
2023	172,363	56,227	228,590
2024-2028	912,199	230,748	1,142,947
2029-2033	1,002,214	140,731	1,142,945
2034-2037	872,523	41,834	914,357
	<u>\$ 3,617,206</u>	<u>\$ 725,993</u>	<u>\$ 4,343,199</u>

CITY OF HOLTVILLE
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 8 – LONG-TERM DEBT (CONTINUED)

B. The following is a summary of Long-Term Debt activity for the fiscal year ended June 30, 2018:

Governmental activities	Balance	Additions	Deletions	Prior Period	Balance	Due in
	July 1, 2017			Adjustments	June 30, 2018	one year
Compensated absences	\$ 52,004	\$ 14,664	\$ 16,629	\$ -	\$ 50,039	\$ 22,518
Settlement agreement	249,502		50,660		198,842	39,286
Claims payable	200,514	15,134	32,094		183,554	
	<u>\$ 502,020</u>	<u>\$ 29,798</u>	<u>\$ 99,383</u>	<u>\$ -</u>	<u>\$ 432,435</u>	<u>\$ 61,804</u>
Business-type activities						
Compensated absences	\$ 77,935	\$ 36,031	\$ 32,550	\$ -	\$ 81,416	\$ 8,141
1999 Water Revenue Refunding Bonds	1,375,000		250,000		1,125,000	260,000
2009A Water Revenue Bonds	3,133,000		45,000		3,088,000	47,000
2009B Water Revenue Bonds	138,399		14,000		124,399	14,000
2013 Sewer Revenue Bonds	4,266,000		82,000		4,184,000	83,500
2014 Sewer Revenue Note		388,958	160,007	3,388,255	3,617,206	159,863
	<u>\$8,990,334</u>	<u>\$ 424,989</u>	<u>\$583,557</u>	<u>\$ 3,388,255</u>	<u>\$ 12,220,021</u>	<u>\$ 572,504</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	\$ 50,085	\$ -
Local Transportation		50,085
Proprietary Funds:		
Major Funds:		
Sewer	48,045	
Solid Waste		48,045
	<u>\$ 98,130</u>	<u>\$ 98,130</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, 2018 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major Funds:		
General	\$ 500,000	\$ -
Community Development Block Grant		
Local Transit Authority		402,369
Local Transportation	277,369	
Nonmajor Fund:		
Gas Tax		125,000
Proprietary Funds:		
Major Funds:		
Water		125,000
Sewer		125,000
	<u>\$ 777,369</u>	<u>\$ 777,369</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 \$684,208 for the workers' compensation fund.

Summary financial information for the funds of the PERMA for the fiscal year ended June 30, 2018 is as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Liability</u>
Total assets	\$ 22,648,283	\$ 17,703,024
Total liabilities	21,835,904	6,734,619
Net position	812,379	10,968,405
Total revenues	3,326,745	5,768,411
Total expenditures	4,357,851	8,055,740
Net increase (decrease) in net position	(1,031,106)	(2,287,329)

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, 2018, the amount of these liabilities was \$200,514. 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 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.

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, 2018 was \$27,303.

As of June 30, 2018, 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, 2018 was \$77,943 on the Statement of Net Position Arising from Cash Transactions for Private-Purpose Trust Fund related to the 2007 Tax Allocation Bonds.

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

Long-term debt of the Successor Agency as of June 30, 2018, consisted of the following:

2007 Tax Allocation Bonds - Former Community Development Agency Tax Allocation Bonds

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

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

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

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

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

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

Fiscal Year Ending	Principal	Interest	Total
June 30,			
2019	\$ 165,000	\$ 295,038	\$ 460,038
2020	175,000	286,960	461,960
2021	185,000	278,228	463,228
2022	195,000	268,821	463,821
2023	200,000	268,821	468,821
2024-2028	1,185,000	1,117,559	2,302,559
2029-2033	1,530,000	756,540	2,286,540
2034-2038	2,005,000	282,015	2,287,015
	<u>\$ 5,640,000</u>	<u>\$ 3,553,982</u>	<u>\$ 9,193,982</u>

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

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due in one year
2007 Tax Allocation Bonds	\$ 5,800,000	\$ -	\$ 160,000	\$ 5,640,000	\$ 165,000
	<u>\$ 5,800,000</u>	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$ 5,640,000</u>	<u>\$ 165,000</u>

NOTE 15 – SUBSEQUENT EVENTS

On October 8, 2018, the City Council approved the terms of a \$60,800 grant agreement with USDA- Rural Development under the Community Facilities Loan and Grant Program for the purchase of additional equipment for the Type II Brush Truck Fire Engine.

On October 22, 2018, the City Council approved a contract with American Asphalt South for construction services relative to the Citywide Pavement Improvements Project, in the amount of \$2,56,066.

On October 22, 2018, the City Council approved a contract with the Holt Group for Resident Engineering and Construction Management Services relative to the Citywide Pavement Improvements Project, in the amount of \$86,180.

NOTE 16 – FINANCIAL CONDITION

The City’s business-type activities net position has a deficit of \$8,876,910 at June 30, 2018, which includes deficit net position of \$3,396,986 in the Water Fund, \$5,431,879 in the Sewer Fund, and \$48,045 in the Solid Waste Fund. As of June 30, 2018, the City’s General Fund had temporarily loaned \$50,085 to other funds that had negative cash balances as of June 30, 2018, and the Sewer Fund had temporarily loaned \$48,045 to the Solid Waste Fund which had negative cash as of June 30, 2018. 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 ADJUSTMENT

A prior period adjustment of \$3,388,255 was made on the statement of revenues collected, expenses paid, and changes in net position for an understatement of long-term debt in Sewer Fund in the prior fiscal year.

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, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected				
Taxes:				
Secured and unsecured property taxes	\$ 107,094	\$ 107,094	\$ 342,496	\$ 235,402
Utility users taxes	463,000	463,000	460,973	(2,027)
Sales and use taxes	375,000	375,000	526,495	151,495
Franchise taxes	86,500	86,500	115,318	28,818
Other taxes	32,800	32,800	42,706	9,906
Licenses and permits	1,400	1,400	1,570	170
Fines and penalties	1,000	1,000	949	(51)
Investment revenue collected	24,750	24,750	7,576	(17,174)
Intergovernmental revenue collected	892,728	892,728	1,170,266	277,538
Charges for current services	72,112	72,112	87,595	15,483
Contributions from private-purpose trust fund	250,000	250,000	337,899	87,899
Other revenues collected	37,500	37,500	24,347	(13,153)
Total revenues collected	2,343,884	2,343,884	3,118,190	774,306
Expenditures Paid				
General Government:				
City council	37,257	37,257	36,556	701
City manager	252,450	252,450	237,595	14,855
Planning	88,878	88,878	89,207	(329)
Engineering	15,000	15,000	975	14,025
City clerk	20,692	20,692	19,919	773
Finance office	187,570	187,570	119,454	68,116
City treasurer	2,014	2,014	1,946	68
City attorney	50,800	50,800	20,492	30,308
Non-departmental	154,002	154,002	144,728	9,274
Total general government	808,663	808,663	670,872	137,791
Public Safety:				
Police department	891,800	891,800	880,128	11,672
Dispatch services	101,712	101,712	101,712	
Animal control	23,700	23,700	19,849	3,851
Fire department	505,882	505,882	641,409	(135,527)
Total public safety	1,523,094	1,523,094	1,643,098	(120,004)

(Continued)

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

For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures Paid (continued)				
Public Works:				
Street maintenance	\$ 171,003	\$ 171,003	\$ 185,070	\$ (14,067)
Parks maintenance	157,028	157,028	135,768	21,260
Building maintenance	97,650	97,650	75,724	21,926
Total public works	425,681	425,681	396,562	29,119
Total expenditures paid	2,757,438	2,757,438	2,710,532	46,906
Excess of revenues collected over (under) expenditures paid	(413,554)	(413,554)	407,658	821,212
Other Financing Sources (Uses):				
Transfers in	725,000	725,000	500,000	(225,000)
Total other financing sources (uses)	725,000	725,000	500,000	(225,000)
Net changes in fund balances	311,446	311,446	907,658	596,212
Fund balance - July 1, 2017	1,537,756	1,537,756	1,537,756	
Fund balance - June 30, 2018	\$ 1,849,202	\$ 1,849,202	\$ 2,445,414	\$ 596,212

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, 2018**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected:				
Investment earnings	\$ 750	\$ 750	\$ 1,147	\$ 397
Intergovernmental	480,000	480,000	524,745	44,745
Total revenues collected	480,750	480,750	525,892	45,142
Expenditures Paid:				
Capital outlay	126,820	126,820		126,820
Total expenditures paid	126,820	126,820		126,820
Excess of revenues collected over (under) expenditures paid	353,930	353,930	525,892	171,962
Other Financing Sources (Uses):				
Transfers out	(875,000)	(875,000)	(402,369)	472,631
Total other financing sources (uses)	(875,000)	(875,000)	(402,369)	472,631
Net change in fund balance	(521,070)	(521,070)	123,523	644,593
Fund balance, July 1, 2017	1,021,451	1,021,451	1,021,451	
Fund balance, June 30, 2018	\$ 500,381	\$ 500,381	\$ 1,144,974	\$ 644,593

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, 2018**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected:				
Intergovernmental	\$ 3,043,100	\$ 3,043,100	\$ 1,474,224	\$ (1,568,876)
Total revenues collected	<u>3,043,100</u>	<u>3,043,100</u>	<u>1,474,224</u>	<u>(1,568,876)</u>
Expenditures Paid:				
Capital outlay	4,043,100	4,043,100	1,212,348	2,830,752
Total expenditures paid	<u>4,043,100</u>	<u>4,043,100</u>	<u>1,212,348</u>	<u>2,830,752</u>
Excess of revenues collected over (under) expenditures paid	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>261,876</u>	<u>1,261,876</u>
Other Financing Sources (Uses):				
Transfers in	1,000,000	1,000,000	277,369	(722,631)
Total other financing sources (uses)	<u>1,000,000</u>	<u>1,000,000</u>	<u>277,369</u>	<u>(722,631)</u>
Net change in fund balance			539,245	539,245
Fund balance (deficit), July 1, 2017	<u>(589,330)</u>	<u>(589,330)</u>	<u>(589,330)</u>	
Fund balance (deficit), June 30, 2018	<u>\$ (589,330)</u>	<u>\$ (589,330)</u>	<u>\$ (50,085)</u>	<u>\$ 539,245</u>

CITY OF HOLTVILLE
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2018

	<u>Special Revenue Funds</u>			<u>Totals</u>
	<u>Gas Tax Fund</u>	<u>Bikepath Fund</u>	<u>Low/Mod Housing Fund</u>	
ASSETS				
Cash and investments	\$ 442,030	\$ 19,601	\$ -	\$ 461,631
Notes receivable			330,000	330,000
Total assets	<u>\$ 442,030</u>	<u>\$ 19,601</u>	<u>\$ 330,000</u>	<u>\$ 791,631</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330,000</u>	<u>\$ 330,000</u>
Total liabilities			<u>330,000</u>	<u>330,000</u>
Fund Balances:				
Restricted	<u>442,030</u>	<u>19,601</u>		<u>461,631</u>
Total fund balances	<u>442,030</u>	<u>19,601</u>		<u>461,631</u>
Total liabilities and fund balances	<u>\$ 442,030</u>	<u>\$ 19,601</u>	<u>\$ 330,000</u>	<u>\$ 791,631</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, 2018

	Special Revenue Funds			Totals
	Gas Tax Fund	Bikepath Fund	Low/Mod Housing Fund	
Revenues Collected:				
Taxes and other assessments	\$ 158,731	\$ -	\$ -	\$ 158,731
Investment earnings	1,167	78		1,245
Intergovernmental		16,057		16,057
Total revenues collected	159,898	16,135		176,033
Expenditures Paid:				
Public works		10,214		10,214
Total expenditures paid		10,214		10,214
Excess of revenues collected over (under) expenditures paid	159,898	5,921		165,819
Other Financing Sources (Uses):				
Transfers in				
Transfers out	(125,000)			(125,000)
Total other financing sources (uses)	(125,000)			(125,000)
Net changes in fund balances	34,898	5,921		40,819
Fund balances (deficit), July 1, 2017	407,132	13,680		420,812
Fund balances, June 30, 2018	\$ 442,030	\$ 19,601	\$ -	\$ 461,631

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

For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:			
Taxes and other assessments	\$ 175,857	\$ 158,731	\$ (17,126)
Investment earnings	250	1,167	917
	<u>176,107</u>	<u>159,898</u>	<u>(16,209)</u>
Total revenues collected			
	<u>176,107</u>	<u>159,898</u>	<u>(16,209)</u>
Other Financing Sources (Uses):			
Transfers out	(400,000)	(125,000)	275,000
	<u>(400,000)</u>	<u>(125,000)</u>	<u>275,000</u>
Total other financing sources (uses)			
	<u>(400,000)</u>	<u>(125,000)</u>	<u>275,000</u>
Net change in fund balance	(223,893)	34,898	258,791
Fund balance, July 1, 2017	407,132	407,132	
Fund balance, June 30, 2018	<u>\$ 183,239</u>	<u>\$ 442,030</u>	<u>\$ 258,791</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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:			
Intergovernmental	\$ 16,330	\$ 16,057	\$ (273)
Investment earnings		78	\$ 78
Total revenues collected	<u>16,330</u>	<u>16,135</u>	<u>(195)</u>
Expenditures Paid:			
Public works	<u>16,330</u>	<u>10,214</u>	<u>6,116</u>
Total expenditures paid	<u>16,330</u>	<u>10,214</u>	<u>6,116</u>
Net change in fund balance		5,921	5,921
Fund balance, July 1, 2017	<u>13,680</u>	<u>13,680</u>	
Fund balance, June 30, 2018	<u>\$ 13,680</u>	<u>\$ 19,601</u>	<u>\$ 5,921</u>