

CITY OF HOLTVILLE

FINANCIAL STATEMENTS

June 30, 2020

CITY OF HOLTVILLE
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BASIC FINANCIAL STATEMENTS



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

9465 WILSHIRE BLVD., 3RD FLOOR
BEVERLY HILLS, CA 90212
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the 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, 2020, 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, 2020, 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, 2020.

Emphasis of Matter

As discussed in Note 15 to the financial statements, in January 2020, the World Health Organization declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business interruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

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's basic financial statements. The combining nonmajor funds financial statements and nonmajor fund budgetary comparison schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining nonmajor funds financial statements and nonmajor fund budgetary comparison schedules 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 May 27, 2021, 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

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
May 27, 2021

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CITY OF HOLTVILLE
STATEMENT OF NET POSITION
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 5,517,531	\$ 3,408,510	\$ 8,926,041
Cash and investments with fiscal agent		320,677	320,677
Restricted cash and investments		324,501	324,501
Loans receivable, net of allowance	2,215,463		2,215,463
Total Assets	7,732,994	4,053,688	11,786,682
Liabilities:			
Noncurrent liabilities:			
Due within one year	76,621	616,316	692,937
Due in more than one year	248,939	10,494,235	10,743,174
Total Liabilities	325,560	11,110,551	11,436,111
Net Position:			
Restricted for:			
Debt service		559,110	559,110
Low and moderate income housing	350,000		350,000
Other purposes	4,326,724	86,068	4,412,792
Unrestricted	2,730,710	(7,702,041)	(4,971,331)
Total Net Position (Deficit)	\$ 7,407,434	\$ (7,056,863)	\$ 350,571

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
STATEMENT OF ACTIVITIES
ARISING FROM CASH TRANSACTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ 862,418	\$ 2,933	\$ -	\$ -
Public safety	1,662,727	10,997	420,048	
Public works	1,698,018	100,666	280,525	624,635
Community development	1,204	61,746		
Total Governmental Activities	4,224,367	176,342	700,573	624,635
Business-type Activities:				
Water	1,039,611	#REF!		
Sewer	970,319	1,547,779		
Solid waste	251,733	263,728		
Total Business-type Activities	2,261,663	#REF!		
Total Primary Government	\$ 6,486,030	#REF!	\$ 700,573	\$ 624,635

General Revenues and Transfers:

Taxes:

Secured and unsecured property taxes

Utility users tax

Sales and use tax

Franchise tax

Other tax

Motor vehicle in-lieu - unrestricted

Use of money and property

Other

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position (Deficit) at Beginning of Fiscal Year

Net Position (Deficit) at End of Fiscal Year

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Totals
\$ (859,485)	\$ -	\$ (859,485)
(1,231,682)		(1,231,682)
(692,192)		(692,192)
60,542		60,542
(2,722,817)		(2,722,817)
	#REF!	#REF!
	577,460	577,460
	11,995	11,995
	#REF!	#REF!
(2,722,817)	#REF!	#REF!
405,109		405,109
440,342		440,342
699,347		699,347
112,541		112,541
30,536		30,536
589,177		589,177
53,690	38,131	91,821
75,089		75,089
270,000	(270,000)	
2,675,831	(231,869)	2,443,962
(46,986)	#REF!	#REF!
7,454,420	(8,048,655)	(594,235)
\$ 7,407,434	#REF!	#REF!

CITY OF HOLTVILLE
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS -
GOVERNMENTAL FUNDS
JUNE 30, 2020

		Special Revenue Funds	
	General Fund	Community Development Block Grant Fund	Home Grant Fund
Assets			
Cash and investments	\$ 2,964,521	\$ 863,005	\$ 82,015
Due from other funds	48,631		
Loans receivable	91,749	691,128	4,579,486
Total assets	<u>\$ 3,104,901</u>	<u>\$ 1,554,133</u>	<u>\$ 4,661,501</u>
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Total liabilities			
Deferred Inflows of Resources:			
Deferred revenue		584,423	4,579,486
Total deferred inflows of resources		584,423	4,579,486
Total liabilities and deferred inflows of resources		584,423	4,579,486
Fund Balances:			
Nonspendable	91,749		
Restricted		969,710	82,015
Unassigned	3,013,152		
Total fund balances	<u>3,104,901</u>	<u>969,710</u>	<u>82,015</u>
Total liabilities and fund balances	<u>\$ 3,104,901</u>	<u>\$ 1,554,133</u>	<u>\$ 4,661,501</u>

See accompanying notes to basic financial statements

Special Revenue Funds			
Local Transit Authority Fund	Local Transportation Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,055,614	\$ -	\$ 552,376	\$ 5,517,531
			48,631
		350,000	5,712,363
<u>\$ 1,055,614</u>	<u>\$ -</u>	<u>\$ 902,376</u>	<u>\$ 11,278,525</u>
\$ -	\$ 48,631	\$ -	\$ 48,631
	48,631		48,631
		350,000	5,513,909
		350,000	5,513,909
	48,631	350,000	5,562,540
1,055,614	(48,631)	552,376	91,749
			2,659,715
			2,964,521
<u>1,055,614</u>	<u>(48,631)</u>	<u>552,376</u>	<u>5,715,985</u>
<u>\$ 1,055,614</u>	<u>\$ -</u>	<u>\$ 902,376</u>	<u>\$ 11,278,525</u>

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CITY OF HOLTVILLE**RECONCILIATION OF THE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION ARISING FROM CASH TRANSACTIONS
JUNE 30, 2020**

Fund balances of governmental funds	\$ 5,715,985
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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	5,513,909
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Allowance for an uncollectible loan has been set up in the amount of \$3,496,900 for a specific loan receivable.	(3,496,900)
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Long-term liabilities have not been included in the governmental funds.

Compensated absences	(70,772)
Settlement agreement	(117,673)
Claims payable	<u>(137,115)</u>

Net position of governmental activities	<u><u>\$ 7,407,434</u></u>
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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, 2020**

		Special Revenue Funds	
	General Fund	Community Development Block Grant Fund	Home Grant Fund
Revenues Collected:			
Taxes	\$ 1,409,085	\$ -	\$ -
Licenses, permits, and impact fees	2,260		
Fines and penalties	1,545		
Investment earnings	45,340	156	22
Intergovernmental	1,009,225		
Charges for current services	172,537		
Other revenues collected	21,400		
Program income		20,099	8,911
Total revenues collected	2,661,392	20,255	8,933
Expenditures Paid:			
General government	918,150		
Public safety	1,656,705		
Public works	414,458		
Community development		1,204	
Capital outlay			
Total expenditures paid	2,989,313	1,204	
Excess of revenues collected over (under) expenditures paid	(327,921)	19,051	8,933
Other Financing Sources (Uses):			
Transfers in	470,000		
Transfers out			
Total other financing sources (uses)	470,000		
Net changes in fund balances	142,079	19,051	8,933
Fund balances (deficits), July 1, 2019	2,962,822	950,659	73,082
Fund balances (deficits), June 30, 2020	\$ 3,104,901	\$ 969,710	\$ 82,015

See accompanying notes to basic financial statements

Special Revenue Funds			
Local Transit Authority Fund	Local Transportation Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 278,789	\$ 1,687,874
			2,260
			1,545
3,436		4,736	53,690
320,240	624,635		1,954,100
			172,537
			21,400
			29,010
323,676	624,635	283,525	3,922,416
			918,150
			1,656,705
			414,458
			1,204
1,675	1,280,378		1,282,053
1,675	1,280,378		4,272,570
322,001	(655,743)	283,525	(350,154)
	580,479		1,050,479
(568,939)		(211,540)	(780,479)
(568,939)	580,479	(211,540)	270,000
(246,938)	(75,264)	71,985	(80,154)
1,302,552	26,633	480,391	5,796,139
\$ 1,055,614	\$ (48,631)	\$ 552,376	\$ 5,715,985

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, 2020**

Net change in fund balances - total governmental funds \$ (80,154)

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

Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. Likewise, when the note is collected, it is reflected in revenue. This is the net change between notes receivable collected and issued. (15,035)

The amounts below, included in the Statement of Activities, do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):

Decrease in claims payable	17,187
Decrease in settlement agreement	41,883

Compensated absences 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. (10,867)

Change in net position of governmental activities	<u>\$ (46,986)</u>
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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, 2020

	Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Totals
ASSETS				
Current Assets:				
Cash and investments	\$ 702,365	\$ 2,706,145	\$ -	\$ 3,408,510
Cash and investments with fiscal agent	320,677			320,677
Restricted cash and investments	220,558	103,943		324,501
Due from other funds		27,735		27,735
Total assets	1,243,600	2,837,823		4,081,423
LIABILITIES				
Current Liabilities:				
Due to other funds			27,735	27,735
Compensated absences	4,652	7,669		12,321
Current portion of bonds payable	351,000	252,995		603,995
Total current liabilities	355,652	260,664	27,735	644,051
Long-Term Liabilities:				
Compensated absences	41,865	69,023		110,888
Bonds payable	3,326,399	7,056,948		10,383,347
Total long-term liabilities	3,368,264	7,125,971		10,494,235
Total liabilities	3,723,916	7,386,635	27,735	11,138,286
NET POSITION (DEFICIT)				
Restricted for debt service	541,235	17,875		559,110
Restricted for other purposes		86,068		86,068
Unrestricted	(3,021,551)	(4,652,755)	(27,735)	(7,702,041)
Total net position (deficit)	\$ (2,480,316)	\$ (4,548,812)	\$ (27,735)	\$ (7,056,863)

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, 2020**

	Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Totals
Operating Revenues Collected:				
Charges for services	\$ 1,494,609	\$ 1,547,779	\$ 263,728	\$ 3,306,116
Total operating revenues collected	1,494,609	1,547,779	263,728	3,306,116
Operating Expenses Paid:				
Salaries and wages	278,318	407,003		685,321
Employee benefits	91,621	114,267		205,888
Training, safety, and clothing	14,853	14,636		29,489
Materials, supplies, and services	487,684	252,203	251,733	991,620
Total operating expenses paid	872,476	788,109	251,733	1,912,318
Operating income arising from cash transactions	622,133	759,670	11,995	1,393,798
Non-Operating Revenues Collected (Expenses Paid):				
Investment earnings	4,682	33,449		38,131
Capital grants	179,208			179,208
Interest expense	(167,135)	(146,850)		(313,985)
Capital outlay		(35,360)		(35,360)
Total non-operating revenues collected (expenses paid)	16,755	(148,761)		(132,006)
Income (loss) arising from cash transactions before transfers	638,888	610,909	11,995	1,261,792
Transfers:				
Transfers out	(135,000)	(135,000)		(270,000)
Changes in net position	503,888	475,909	11,995	991,792
Net position (deficit), beginning of the fiscal year	(2,984,204)	(5,024,721)	(39,730)	(8,048,655)
Net position (deficit), end of the fiscal year	\$ (2,480,316)	\$ (4,548,812)	\$ (27,735)	\$ (7,056,863)

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, 2020

	Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Totals
Cash Flows from Operating Activities:				
Receipts from user charges	\$ 1,494,609	\$ 1,547,779	\$ 263,728	\$ 3,306,116
Interfund loan receipts (disbursements)		11,995	(11,995)	
Payments to suppliers	(594,158)	(381,106)	(251,733)	(1,226,997)
Payments for salaries and benefits	(275,813)	(371,157)		(646,970)
Net Cash Provided (Used) by Operating Activities	624,638	807,511		1,432,149
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets		(35,360)		(35,360)
Receipts from grant proceeds	179,208			179,208
Principal paid	(339,000)	(247,900)		(586,900)
Interest paid	(167,135)	(146,850)		(313,985)
Net Cash Provided (Used) for Capital and Related Financing Activities	(326,927)	(430,110)		(757,037)
Cash Flows from Non-Capital Financing Activities:				
Transfers paid	(135,000)	(135,000)		(270,000)
Net Cash Provided (Used) from Non-Capital Financing Activities	(135,000)	(135,000)		(270,000)
Cash Flows from Investing Activities:				
Interest received	4,682	33,449		38,131
Net Cash Provided (Used) from Investing Activities	4,682	33,449		38,131
Increase (decrease) in cash and cash equivalents	167,393	275,850		443,243
Cash and cash equivalents, beginning of fiscal year	1,076,207	2,534,238		3,610,445
Cash and cash equivalents, end of fiscal year	\$ 1,243,600	\$ 2,810,088	\$ -	\$ 4,053,688
Reconciliation to Statement of Net Position:				
Cash and investments	\$ 702,365	\$ 2,706,145	\$ -	\$ 3,408,510
Cash and investments with fiscal agents	320,677			320,677
Restricted cash and investments	220,558	103,943		324,501
Total cash and cash equivalents, end of fiscal year	\$ 1,243,600	\$ 2,810,088	\$ -	\$ 4,053,688

(Continued)

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS (Continued)
ARISING FROM CASH TRANSACTIONS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income	\$ 622,133	\$ 759,670	\$ 11,995	\$ 1,393,798
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		11,995		11,995
Increase (decrease) in due to other funds			(11,995)	(11,995)
Increase (decrease) in compensated absences	2,505	35,846		38,351
Net Cash Provided (Used) by Operating Activities	\$ 624,638	\$ 807,511	\$ -	\$ 1,432,149

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
FIDUCIARY FUND
STATEMENT OF NET POSITION ARISING FROM CASH TRANSACTIONS
JUNE 30, 2020

	Private-Purpose Trust Fund
	<hr/>
ASSETS	
Cash and investments with fiscal agents	\$ 469,841
Restricted cash and investments	3,163,932
Notes receivable	5,138
Capital assets, not being depreciated	<hr/> 437,894
Total assets	<hr/> 4,076,805
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding of debt	<hr/> 69,880
Total deferred outflows of resources	<hr/> 69,880
Total assets and deferred outflows of resources	<hr/> 4,146,685
LIABILITIES	
Long-term debt, due within one year	185,000
Long-term debt, due in more than one year	<hr/> 5,115,000
Total liabilities	<hr/> 5,300,000
NET POSITION (DEFICIT)	
Held in trust for other purposes	<hr/> (1,153,315)
Total net position (deficit)	<hr/> <hr/> \$ (1,153,315)

See accompanying notes to basic financial statements

CITY OF HOLTVILLE**FIDUCIARY FUND****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION ARISING FROM CASH TRANSACTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Private-Purpose Trust Fund
Additions:	
Investment revenue	\$ 58,943
Tax and assessments	672,011
Total additions	730,954
Deductions:	
Administration	60
Interest expense	280,513
Amortization expense	4,032
Total deductions	284,605
Change in net position	446,349
Net Position (Deficit) - July 1, 2019	(1,599,664)
Net Position (Deficit) - June 30, 2020	\$ (1,153,315)

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 entities, 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 deferred revenue and note/loan payments received by the City are recorded as reductions of the asset and liability and program income when received.
2. Long term payables are set up as liabilities in the proprietary funds. Principal payments are recorded as reductions of the liabilities when paid.

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, 2020, the City had recorded restricted net position in the Governmental Activities and Business-type Activities as follows:

	Governmental Activities	Business-type Activities
Restricted for:		
Housing	\$ 350,000	\$ -
Community development	1,554,133	
HOME grant program	1,164,601	
Transportation	1,055,614	
Streets and roads	552,376	
Debt service		559,110
Replacement reserve		71,943
Operations and maintenance reserve		14,125
Total Restricted	<u>\$ 4,676,724</u>	<u>\$ 645,178</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.

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

O. Net Position and Fund Balance (Continued)

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.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2020 are as follows:

		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
Fund Balances	General Fund	Revenue Fund	Fund	Fund	Revenue Fund	Funds	
<u>Nonspendable:</u>							
Housing Rehabilitation and Business Program Loans	\$ 91,749	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,749
<i>Total Nonspendable</i>	91,749						91,749
<u>Restricted for:</u>							
Community Development		969,710	82,015				1,051,725
Transportation				1,055,614			1,055,614
Streets and Roads						552,376	552,376
<i>Total Restricted</i>		969,710	82,015	1,055,614		552,376	2,659,715
Unassigned	3,013,152				(48,631)		2,964,521
<i>Total Fund Balances</i>	\$ 3,104,901	\$ 969,710	\$ 82,015	\$ 1,055,614	\$ (48,631)	\$ 552,376	\$ 5,715,985

P. 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.

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 1 – REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Future Accounting Pronouncements

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

Statement No. 84	"Fiduciary Activities"	The provision of this statement are effective for fiscal years beginning after December 15, 2019
Statement No. 87	"Leases"	The provision of this statement are effective for fiscal years beginning after June 15, 2021
Statement No. 89	"Accounting for Interest Cost incurred before the End of a Construction Period"	The provision of this statement are effective for fiscal years beginning after December 15, 2020
Statement No. 91	"Conduit Debt Obligations"	The provision of this statement are effective for fiscal years beginning after December 15, 2020
Statement No. 92	"Omnibus 2020"	The provision of this statement are effective for fiscal years beginning after June 15, 2020
Statement No. 93	"Replacement of Interbank Offered Rates"	The provision of this statement are effective for fiscal years beginning after June 15, 2020
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provision of this statement are effective for fiscal years beginning after June 15, 2022
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provision of this statement are effective for fiscal years beginning after June 15, 2022
Statement No. 97	"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans"	The provision of this statement are effective for fiscal years beginning after June 15, 2021

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 Obligations</u>	
Compensated Absences	\$ 70,772
Settlement agreement	117,673
Claims Payable	137,115
	<u>\$ 325,560</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances and Net Position

A deficit fund balance of \$48,631 exists in the Local Transportation fund, and deficit net positions of \$2,480,316, \$4,548,812, and \$27,735 exist in the Water Fund, Sewer Fund, and Solid Waste Fund, respectively. 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, if and when the fund is closed.

Excess of Expenditures over Appropriations

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

<u>FUND</u>	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	<u>EXCESS</u>
Major Funds:			
General:			
General government	\$ 843,209	\$ 918,150	\$ 74,941
Public safety	\$ 1,563,223	\$ 1,656,705	\$ 93,482
Local Transit Authority Fund:			
Transfer out	\$ 100,000	\$ 568,939	\$ 468,939
Non-Major Funds:			
Gas Tax Fund:			
Transfer out	\$ 100,000	\$ 211,541	\$ 111,541

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	\$ 8,926,041
Cash and investments with fiscal agents	320,677
Restricted cash and investments	324,501
Statement of Fiduciary Net Position:	
Cash and investments with fiscal agents	469,841
Restricted cash and investments	<u>3,163,932</u>
Total	<u>\$ 13,204,992</u>

Cash and investments held by the City at June 30, 2020 consisted of the following:

Cash on hand	\$ 100
Cash deposits	6,458,629
Investments	<u>6,746,263</u>
Total	<u>\$ 13,204,992</u>

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	\$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, 2020, 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	\$ 1,751,044	\$ 1,751,044	\$ -	\$ -	\$ -	\$ -
Money Market Funds	421,078	421,078				
Certificates of Deposit	2,268,715	1,256,855	753,382	258,478		
U.S. Government Agency Issues	1,514,908		1,139,094	375,814		
Investments with Fiscal Agent:						
Money Market Funds	790,518	790,518				
Total	<u>\$ 6,746,263</u>	<u>\$ 4,219,495</u>	<u>\$ 1,892,476</u>	<u>\$ 634,292</u>	<u>\$ -</u>	<u>\$ -</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	\$ 1,751,044	N/A	\$ -	\$ -	\$ -	\$ -	\$ 1,751,044
Money Market Funds	421,078	N/A					421,078
Certificates of Deposit	2,268,715	N/A					2,268,715
U.S. Government Agency Issues	1,514,908	AAA		1,514,908			
Investments with Fiscal Agent:							
Money Market Funds	790,518	N/A		790,518			
Total	<u>\$ 6,746,263</u>		<u>\$ -</u>	<u>\$ 2,305,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,440,837</u>

* All Certificates of Deposit are individually covered by FDIC limits

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.

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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Various Private Banks	Certificates of Deposit	\$ 2,268,715 *
Federal Home Loan Bank	U.S. Government Agency Issues	1,139,094

* All Certificates of Deposit are individually covered by FDIC limits

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, 2020, \$5,304,518 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, 2020:

	Totals 6/30/2020	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)
<u>Investment by Fair Value</u>				
U.S. Government Agency Issues	<u>\$ 1,514,908</u>	<u>\$ -</u>	<u>\$ 1,514,908</u>	<u>\$ -</u>
Total Investments at Fair Value	1,514,908	<u>\$ -</u>	<u>\$ 1,514,908</u>	<u>\$ -</u>
Investments not subject to the Fair Value Hierarchy				
Money Market Funds	421,078			
Certificates of Deposit	<u>2,268,715</u>			
Total Investments	<u>\$ 4,204,701</u>			

NOTE 5 – LOANS AND NOTES RECEIVABLE

The following is a summary of Loan Receivable activity for the fiscal year ended June 30, 2020:

	Governmental Funds	Private- Purpose Trust Funds
Loan Receivable:		
General Fund loan	\$ 91,749	\$ -
HOME grant program	4,579,486	
CDBG grant program	602,341	
Revolving business loans	88,787	
Deferred business loans	350,000	
RDA business loans		5,138
Total Restricted	<u>\$ 5,712,363</u>	<u>\$ 5,138</u>

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 \$1,174,335 as of June 30, 2020. \$91,749 is recorded in the General Fund for one of these loans receivable.

NOTE 5 – LOANS AND NOTES RECEIVABLE (CONTINUED)

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, 2020 is \$3,496,900. The fund financial statements reflect deferred revenue in the amount of \$3,496,900 to offset this note receivable, which includes interest. On the statement of net position, the City has set up an allowance for uncollectible amounts of \$3,496,900, as of June 30, 2020.

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, 2020 was \$350,000.

Total program loans receivable outstanding at June 30, 2020 is \$5,712,363, and the fund financial statements reflect deferred inflows of resources of \$5,513,909 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.

NOTE 6 – PROPERTY TAXES (CONTINUED)

Tax Collections - are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.

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

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

NOTE 7 – DEFERRED INFLOWS OF RESOURCES

At June 30, 2020, components of deferred inflows of resources – notes receivable reported in the fund financial statements were \$584,423, \$4,579,486, and \$350,000 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 LIABILITIES

The following is a summary of Long-Term Liability activity for the fiscal year ended June 30, 2020:

Governmental activities	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>	<u>Due in one year</u>
Compensated absences	\$ 59,905	\$ 25,773	\$ 14,906	\$ 70,772	\$ 31,829
Settlement agreement	159,556		41,883	117,673	44,792
Claims payable	154,302	19,971	37,158	137,115	
	<u>\$ 373,763</u>	<u>\$ 45,744</u>	<u>\$ 93,947</u>	<u>\$ 325,560</u>	<u>\$ 76,621</u>
Business-type activities					
Compensated absences	\$ 84,858	\$ 49,509	\$ 11,158	\$ 123,209	\$ 12,321
1999 Water Revenue					
Refunding Bonds	865,000		275,000	590,000	285,000
2009A Water Revenue Bonds	3,041,000		49,000	2,992,000	51,000
2009B Water Revenue Bonds	110,399		15,000	95,399	15,000
2013 Sewer Revenue Bonds	4,100,500		85,000	4,015,500	87,000
2014 Sewer Revenue Note	3,457,343		162,900	3,294,443	165,995
	<u>\$11,659,100</u>	<u>\$ 49,509</u>	<u>\$598,058</u>	<u>\$ 11,110,551</u>	<u>\$ 616,316</u>

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

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 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
2021	\$ 44,792	\$ 8,260	\$ 53,052
2022	47,950	5,102	53,052
2023	24,931	1,745	26,676
	<u>\$ 117,673</u>	<u>\$ 15,107</u>	<u>\$ 132,780</u>

A. Business-type Activities

1999 Water Revenue Refunding Bonds

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

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

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

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

B. Business-type Activities (Continued)

1999 Water Revenue Refunding Bonds (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 285,000	\$ 22,375	\$ 307,375
2022	305,000	7,625	312,625
	<u>\$ 590,000</u>	<u>\$ 30,000</u>	<u>\$ 620,000</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 original amount of \$3,401,000 and Water Revenue Bonds (USDA), Series B, in the original amount of \$833,000.

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

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 51,000	\$ 126,416	\$ 177,416
2022	53,000	123,857	176,857
2023	56,000	121,540	177,540
2024	58,000	119,117	177,117
2025	60,000	116,933	176,933
2026-2030	342,000	541,768	883,768
2031-2035	423,000	460,778	883,778
2036-2040	520,000	360,908	880,908
2041-2045	641,000	237,929	878,929
2046-2050	788,000	86,339	874,339
	<u>\$ 2,992,000</u>	<u>\$ 2,295,585</u>	<u>\$ 5,287,585</u>

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

B. Business-type Activities (Continued)

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 15,000	\$ 2,313	\$ 17,313
2022	16,000	1,899	17,899
2023	16,000	1,479	17,479
2024	17,000	1,046	18,046
2025	17,000	601	17,601
2026	14,399	187	14,586
	<u>\$ 95,399</u>	<u>\$ 7,525</u>	<u>\$ 102,924</u>

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, 2020 is \$4,015,500.

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.

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

B. Business-type Activities (Continued)

2013 Sewer Revenue Bonds (Continued)

Interest on the 2013 Sewer Revenue Bonds is 2% and repayments started December 1, 2014 with final maturity on December 1, 2048. Future minimum debt service payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 87,000	\$ 79,440	\$ 166,440
2022	88,500	77,685	166,185
2023	90,500	75,895	166,395
2024	92,250	74,068	166,318
2025	94,000	72,206	166,206
2026-2030	500,000	331,730	831,730
2031-2035	552,000	279,180	831,180
2036-2040	610,250	221,109	831,359
2041-2045	675,000	156,850	831,850
2046-2048	1,226,000	100,428	1,326,428
	<u>\$ 4,015,500</u>	<u>\$ 1,468,591</u>	<u>\$ 5,484,091</u>

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, 2020 is \$3,294,443.

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
2021	\$ 165,995	\$ 62,595	\$ 228,590
2022	169,149	59,441	228,590
2023	172,363	56,227	228,590
2024	175,638	52,952	228,590
2025	178,975	49,615	228,590
2026-2030	947,191	195,754	1,142,945
2031-2035	1,040,660	102,285	1,142,945
2035-2037	444,472	12,707	457,179
	<u>\$ 3,294,443</u>	<u>\$ 591,576</u>	<u>\$ 3,886,019</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 balances for the fiscal year ended June 30, 2020 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
Major Funds:		
General	\$ 48,631	\$ -
Local Transportation		48,631
Proprietary Funds:		
Major Funds:		
Sewer	\$ 27,735	\$ -
Solid Waste		27,735
	<u>\$ 76,366</u>	<u>\$ 76,366</u>

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, 2020 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major Funds:		
General	\$ 470,000	\$ -
Local Transit Authority		568,939
Local Transportation	580,479	
Nonmajor Fund:		
Gas Tax		211,540
Proprietary Funds:		
Major Funds:		
Water		135,000
Sewer		135,000
	<u>\$ 1,050,479</u>	<u>\$ 1,050,479</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. Summary financial information for the funds of the PERMA for the fiscal year ended June 30, 2020 is as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Liability</u>
Total assets	\$ 34,043,326	\$ 16,312,255
Total liabilities	29,462,580	14,436,739
Net position	4,580,746	1,875,516
Total revenues	4,464,317	8,102,847
Total expenditures	3,017,105	10,608,493
Net increase (decrease) in net position	1,447,212	(2,505,646)

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, 2020, the amount of these liabilities was \$137,115. 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 \$19,500 or one-third of a participant's annual compensation, whichever is lesser. The compensation which is deferred is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 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, 2020 was \$5,138.

As of June 30, 2020, the Successor Agency held land valued at \$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, 2020 was \$69,880 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, 2020, 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.

Future minimum debt service payments are as follows:

Fiscal Year Ending				
June 30,	Principal	Interest	Total	
2021	\$ 185,000	\$ 278,228	\$ 463,228	
2022	195,000	268,821	463,821	
2023	200,000	258,821	458,821	
2024	215,000	247,998	462,998	
2025	225,000	236,338	461,338	
2026-2030	1,310,000	984,898	2,294,898	
2031-2035	1,705,000	581,985	2,286,985	
2036-2038	1,265,000	104,895	1,369,895	
	<u>\$ 5,300,000</u>	<u>\$ 2,961,984</u>	<u>\$ 8,261,984</u>	

The following is a summary of Long-Term Debt activity of the Successor Agency for the fiscal year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due in one year
2007 Tax Allocation Bonds	<u>\$ 5,475,000</u>	<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ 5,300,000</u>	<u>\$ 185,000</u>

NOTE 15 – SUBSEQUENT EVENTS

On January 11, 2021, the City Council approved a contract with Rove Engineering for the 9th Street Sidewalk Improvement Project in the amount of \$311,910.

On January 25, 2021, the City Council approved a contract with Pyramid Construction for the Orchard Road Improvement Project in the amount of \$334,679.

NOTE 16 – FINANCIAL CONDITION

The City's business-type activities net position has a deficit of \$7,056,863 at June 30, 2020, which includes deficit net positions of \$2,480,316 in the Water Fund, \$4,548,812 in the Sewer Fund, and \$27,735 in the Solid Waste Fund. As of June 30, 2020, the Sewer Fund had temporarily loaned \$27,735 to the Solid Waste Fund which had negative cash as of June 30, 2020. Continued deficits and negative cash balances can result in a going concern and compliance issues with debt covenants. Additionally, future capital improvements and operations could be affected if continued deficits occur.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HOLTVILLE

**SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES
IN FUND BALANCE ARISING FROM CASH TRANSACTIONS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected				
Taxes:				
Secured and unsecured property taxes	\$ 240,200	\$ 240,200	\$ 405,108	\$ 164,908
Utility users taxes	461,000	461,000	440,342	(20,658)
Sales and use taxes	392,500	392,500	420,558	28,058
Franchise taxes	109,600	109,600	112,541	2,941
Other taxes	34,800	34,800	30,536	(4,264)
Licenses and permits	1,550	1,550	2,260	710
Fines and penalties	1,550	1,550	1,545	(5)
Investment revenue collected	19,000	19,000	45,340	26,340
Intergovernmental revenue collected	1,000,738	1,000,738	1,009,225	8,487
Charges for current services	58,375	58,375	172,537	114,162
Other revenues collected	25,000	25,000	21,400	(3,600)
Total revenues collected	2,344,313	2,344,313	2,661,392	317,079
Expenditures Paid				
General Government:				
City council	35,980	35,980	32,631	3,349
City manager	239,172	239,172	227,080	12,092
Planning	129,108	129,108	271,772	(142,664)
Engineering	5,000	5,000		5,000
City clerk	14,291	14,291	9,586	4,705
Farmers markets	10,350	10,350		10,350
Finance office	176,068	176,068	148,689	27,379
City treasurer	1,996	1,996	1,946	50
City attorney	50,800	50,800	20,784	30,016
Non-departmental	180,444	180,444	205,662	(25,218)
Total general government	843,209	843,209	918,150	(74,941)
Public Safety:				
Police department	886,500	886,500	946,455	(59,955)
Dispatch services	101,712	101,712	109,266	(7,554)
Animal control	23,986	23,986	21,399	2,587
Fire department	551,025	551,025	579,585	(28,560)
Total public safety	1,563,223	1,563,223	1,656,705	(93,482)

(Continued)

CITY OF HOLTVILLE
**SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES
 IN FUND BALANCE ARISING FROM CASH TRANSACTIONS - BUDGET AND ACTUAL
 GENERAL FUND (CONTINUED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures Paid (continued)				
Public Works:				
Street maintenance	\$ 169,457	\$ 169,457	\$ 140,574	\$ 28,883
Parks maintenance	161,754	161,754	185,377	(23,623)
Building maintenance	105,850	105,850	88,507	17,343
Total public works	437,061	437,061	414,458	22,603
Total expenditures paid	2,843,493	2,843,493	2,989,313	(145,820)
Excess of revenues collected over (under) expenditures paid	(499,180)	(499,180)	(327,921)	171,259
Other Financing Sources (Uses):				
Transfers in	675,000	675,000	470,000	(205,000)
Total other financing sources (uses)	675,000	675,000	470,000	(205,000)
Net changes in fund balances	175,820	175,820	142,079	(33,741)
Fund balance - July 1, 2019	2,962,822	2,962,822	2,962,822	
Fund balance - June 30, 2020	<u>\$ 3,138,642</u>	<u>\$ 3,138,642</u>	<u>\$ 3,104,901</u>	<u>\$ (33,741)</u>

CITY OF HOLTVILLE

**SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES
IN FUND BALANCE ARISING FROM CASH TRANSACTIONS - BUDGET AND ACTUAL
LOCAL TRANSIT AUTHORITY SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected:				
Investment earnings	\$ 1,000	\$ 1,000	\$ 3,436	\$ 2,436
Intergovernmental	180,000	180,000	320,240	140,240
Total revenues collected	181,000	181,000	323,676	142,676
Expenditures Paid:				
Capital outlay	99,928	99,928	1,675	98,253
Total expenditures paid	99,928	99,928	1,675	98,253
Excess of revenues collected over (under) expenditures paid	81,072	81,072	322,001	240,929
Other Financing Sources (Uses):				
Transfers out	(100,000)	(100,000)	(568,939)	(468,939)
Total other financing sources (uses)	(100,000)	(100,000)	(568,939)	(468,939)
Net change in fund balance	(18,928)	(18,928)	(246,938)	(228,010)
Fund balance, July 1, 2019	1,302,552	1,302,552	1,302,552	
Fund balance, June 30, 2020	\$ 1,283,624	\$ 1,283,624	\$ 1,055,614	\$ (228,010)

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, 2020**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected:				
Intergovernmental	\$ 4,604,621	\$ 4,604,621	\$ 624,635	\$ (3,979,986)
Total revenues collected	4,604,621	4,604,621	624,635	(3,979,986)
Expenditures Paid:				
Capital outlay	4,704,549	4,704,549	1,280,378	3,424,171
Total expenditures paid	4,704,549	4,704,549	1,280,378	3,424,171
Excess of revenues collected over (under) expenditures paid	(99,928)	(99,928)	(655,743)	(555,815)
Other Financing Sources (Uses):				
Transfers in	99,928	99,928	580,479	480,551
Total other financing sources (uses)	99,928	99,928	580,479	480,551
Net change in fund balance			(75,264)	(75,264)
Fund balance (deficit), July 1, 2019	26,633	26,633	26,633	
Fund balance (deficit), June 30, 2020	\$ 26,633	\$ 26,633	\$ (48,631)	\$ (75,264)

OTHER SUPPLEMENTAL INFORMATION

CITY OF HOLTVILLE
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue Funds			
	Gas Tax Fund	Bikepath Fund	Low/Mod Housing Fund	Totals
ASSETS				
Cash and investments	\$ 532,754	\$ 19,622	\$ -	\$ 552,376
Notes receivable			350,000	350,000
Total assets	<u>\$ 532,754</u>	<u>\$ 19,622</u>	<u>\$ 350,000</u>	<u>\$ 902,376</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	\$ -	\$ -	\$ 350,000	\$ 350,000
Total liabilities and deferred inflows of resources			350,000	350,000
Fund Balances:				
Restricted	532,754	19,622		552,376
Total fund balances	<u>532,754</u>	<u>19,622</u>		<u>552,376</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 532,754</u>	<u>\$ 19,622</u>	<u>\$ 350,000</u>	<u>\$ 902,376</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, 2020**

	Special Revenue Funds			Totals
	Gas Tax Fund	Bikepath Fund	Low/Mod Housing Fund	
Revenues Collected:				
Taxes and other assessments	\$ 278,789	\$ -	\$ -	\$ 278,789
Investment earnings	4,607	129		4,736
Total revenues collected	283,396	129		283,525
Other Financing Sources (Uses):				
Transfers out	(211,540)			(211,540)
Total other financing sources (uses)	(211,540)			(211,540)
Net changes in fund balances	71,856	129		71,985
Fund balances, July 1, 2019	460,898	19,493		480,391
Fund balances, June 30, 2020	\$ 532,754	\$ 19,622	\$ -	\$ 552,376

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, 2020**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:			
Taxes and other assessments	\$ 243,351	\$ 278,789	\$ 35,438
Investment earnings	1,000	4,607	3,607
Total revenues collected	244,351	283,396	39,045
Other Financing Sources (Uses):			
Transfers out	(100,000)	(211,540)	(111,540)
Total other financing sources (uses)	(100,000)	(211,540)	(111,540)
Net change in fund balance	144,351	71,856	(72,495)
Fund balance, July 1, 2019	460,898	460,898	
Fund balance, June 30, 2020	\$ 605,249	\$ 532,754	\$ (72,495)

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, 2020**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:			
Intergovernmental	\$ 17,600	\$ -	\$ (17,600)
Investment earnings	100	129	29
Total revenues collected	17,700	129	(17,571)
Expenditures Paid:			
Public works	15,000		15,000
Total expenditures paid	15,000		15,000
Net change in fund balance	2,700	129	(2,571)
Fund balance, July 1, 2019	19,493	19,493	
Fund balance, June 30, 2020	\$ 22,193	\$ 19,622	\$ (2,571)