

CITY OF HOLTVILLE

FINANCIAL STATEMENTS

June 30, 2022

CITY OF HOLTVILLE
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BASIC FINANCIAL STATEMENTS



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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Holtville (City), California, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the fiscal year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and those standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Financial Condition

The reader's attention should be brought to Note 15, referring to the City's financial condition as of June 30, 2022.

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.

Supplementary 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 and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
March 20, 2023

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CITY OF HOLTVILLE
STATEMENT OF NET POSITION
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 7,097,451	\$ 3,199,285	\$ 10,296,736
Restricted cash and investments		324,759	324,759
Internal balances	425,008	(425,008)	
Loans receivable, net of allowance	2,207,612		2,207,612
Total Assets	9,730,071	3,099,036	12,829,107
Liabilities:			
Noncurrent liabilities:			
Due within one year	53,516	345,368	398,884
Due in more than one year	45,218	9,511,379	9,556,597
Total Liabilities	98,734	9,856,747	9,955,481
Net Position:			
Restricted for:			
Debt service		238,578	238,578
Low and moderate income housing	3,143,462		3,143,462
Transportation	1,767,731		1,767,731
Streets and roads	747,575		
Equipment reserves		86,180	86,180
Unrestricted	3,972,569	(7,082,469)	(3,109,900)
Total Net Position (Deficit)	\$ 9,631,337	\$ (6,757,711)	\$ 2,873,626

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
STATEMENT OF ACTIVITIES
ARISING FROM CASH TRANSACTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ 1,232,950	\$ 16,143	\$ 791,941	\$ -
Public safety	1,807,705	6,485	798,636	
Public works	890,592	32,079	487,765	570,048
Community development	319	15,301		
Total Governmental Activities	3,931,566	70,008	2,078,342	570,048
Business-type Activities:				
Water	4,696,987	1,571,149		2,248,611
Sewer	1,008,995	1,527,874		
Solid waste	311,260	333,582		
Total Business-type Activities	6,017,242	3,432,605		2,248,611
Total Primary Government	\$ 9,948,808	\$ 3,502,613	\$ 2,078,342	\$ 2,818,659

General Revenues and Transfers:

Taxes:

 Secured and unsecured property taxes

 Utility users tax

 Sales and use tax

 Franchise tax

 Other tax

Motor vehicle in-lieu - unrestricted

Use of money and property

Other

Contributions from private-purpose trust fund, unrestricted

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position (Deficit) at Beginning of Fiscal Year

Net Position (Deficit) at End of Fiscal Year

See accompanying notes to basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Totals
\$ (424,866)	\$ -	\$ (424,866)
(1,002,584)		(1,002,584)
199,300		199,300
14,982		14,982
(1,213,168)		(1,213,168)
	(877,227)	(877,227)
	518,879	518,879
	22,322	22,322
	(336,026)	(336,026)
(1,213,168)	(336,026)	(1,549,194)
401,040		401,040
479,124		479,124
728,672		728,672
140,585		140,585
40,383		40,383
617,096		617,096
(27,504)	7,563	(19,941)
10,838		10,838
225,538		225,538
228,005	(228,005)	
2,843,777	(220,442)	2,623,335
1,630,609	(556,468)	1,074,141
8,000,728	(6,201,243)	1,799,485
\$ 9,631,337	\$ (6,757,711)	\$ 2,873,626

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS -
GOVERNMENTAL FUNDS
JUNE 30, 2022

		Special Revenue Funds	
	General Fund	Community Development Block Grant Fund	Home Grant Fund
Assets			
Cash and investments	\$ 3,554,546	\$ 912,282	\$ 115,317
Due from other funds	675,552		
Loans receivable	91,749	696,457	4,606,304
Total assets	<u>\$ 4,321,847</u>	<u>\$ 1,608,739</u>	<u>\$ 4,721,621</u>
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Total liabilities			
Deferred Inflows of Resources:			
Deferred revenue- unavailable		594,580	4,606,304
Total deferred inflows of resources		594,580	4,606,304
Total liabilities and deferred inflows of resources		594,580	4,606,304
Fund Balances:			
Nonspendable	91,749		
Restricted		1,014,159	115,317
Unassigned	4,230,098		
Total fund balances	<u>4,321,847</u>	<u>1,014,159</u>	<u>115,317</u>
Total liabilities and fund balances	<u>\$ 4,321,847</u>	<u>\$ 1,608,739</u>	<u>\$ 4,721,621</u>

See accompanying notes to basic financial statements

Special Revenue Funds		Other Governmental Funds	Total Governmental Funds
Local Transit Authority Fund	Local Transportation Fund		
\$ 1,767,731	\$ -	\$ 747,575	\$ 7,097,451
		370,000	675,552
			5,764,510
<u>\$ 1,767,731</u>	<u>\$ -</u>	<u>\$ 1,117,575</u>	<u>\$ 13,537,513</u>
\$ -	\$ 250,544	\$ -	\$ 250,544
	250,544		250,544
		370,000	5,570,884
		370,000	5,570,884
	250,544	370,000	5,821,428
1,767,731	(250,544)	747,575	91,749
			3,644,782
			3,979,554
<u>1,767,731</u>	<u>(250,544)</u>	<u>747,575</u>	<u>7,716,085</u>
<u>\$ 1,767,731</u>	<u>\$ -</u>	<u>\$ 1,117,575</u>	<u>\$ 13,537,513</u>

See accompanying notes to basic financial statements

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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, 2022**

Fund balances of governmental funds	\$ 7,716,085
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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	5,570,884
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Allowance for an uncollectible loan has been set up in the amount of \$3,556,898 for a specific loan receivable.	(3,556,898)
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Long-term liabilities have not been included in the governmental funds.

Compensated absences	(63,523)
Settlement agreement	(24,931)
Claims payable	<u>(10,280)</u>

Net position of governmental activities	<u><u>\$ 9,631,337</u></u>
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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, 2022**

	General Fund	Special Revenue Funds	
		Community Development Block Grant Fund	Home Grant Fund
Revenues Collected:			
Taxes	\$ 1,524,583	\$ -	\$ -
Licenses, permits, and impact fees	1,739		
Fines and penalties	252		
Investment earnings	(28,850)	81	(5)
Intergovernmental	2,207,674		
Charges for current services	68,017		
Other revenues collected	10,838		
Contributions from private-purpose trust fund	225,538		
Program income		21,795	8,381
Total revenues collected	4,009,791	21,876	8,376
Expenditures Paid:			
General government	1,352,908		
Public safety	1,801,683		
Public works	417,830		
Community development		96	223
Capital outlay		120	
Total expenditures paid	3,572,421	216	223
Excess of revenues collected over (under) expenditures paid	437,370	21,660	8,153
Other Financing Sources (Uses):			
Transfers in	400,000		
Transfers out	(21,995)		
Total other financing sources (uses)	378,005		
Net changes in fund balances	815,375	21,660	8,153
Fund balances (deficits), July 1, 2021	3,506,472	992,499	107,164
Fund balances (deficits), June 30, 2022	\$ 4,321,847	\$ 1,014,159	\$ 115,317

See accompanying notes to basic financial statements

Special Revenue Funds			
Local Transit Authority Fund	Local Transportation Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 265,219	\$ 1,789,802
			1,739
			252
540		730	(27,504)
467,856	570,048		3,245,578
			68,017
			10,838
			225,538
			30,176
468,396	570,048	265,949	5,344,436
			1,352,908
			1,801,683
			417,830
			319
1,500	469,745		471,365
1,500	469,745		4,044,105
466,896	100,303	265,949	1,300,331
	205,919		605,919
(75,000)		(280,919)	(377,914)
(75,000)	205,919	(280,919)	228,005
391,896	306,222	(14,970)	1,528,336
1,375,835	(556,766)	762,545	6,187,749
\$ 1,767,731	\$ (250,544)	\$ 747,575	\$ 7,716,085

See accompanying notes to basic financial statements

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, 2022**

Net change in fund balances - total governmental funds \$ 1,528,336

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. (10,266)

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	76,531
Decrease in settlement agreement	47,950

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. (11,942)

Change in net position of governmental activities	<u><u>\$ 1,630,609</u></u>
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CITY OF HOLTVILLE
PROPRIETARY FUNDS
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2022

	Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Totals
ASSETS				
Current Assets:				
Cash and investments	\$ -	\$ 3,154,743	\$ 44,542	\$ 3,199,285
Restricted cash and investments	220,688	104,071		324,759
Total assets	220,688	3,258,814	44,542	3,524,044
LIABILITIES				
Current Liabilities:				
Due to other funds	425,008			425,008
Current portion of compensated absences	4,118	6,387		10,505
Current portion of bonds payable	72,000	262,863		334,863
Total current liabilities	501,126	269,250		770,376
Long-Term Liabilities:				
Compensated absences	37,062	57,482		94,544
Bonds payable	2,880,399	6,536,436		9,416,835
Total long-term liabilities	2,917,461	6,593,918		9,511,379
Total liabilities	3,418,587	6,863,168		10,281,755
NET POSITION (DEFICIT)				
Restricted for debt service	220,688	17,890		238,578
Restricted for equipment reserves		86,180		86,180
Unrestricted	(3,418,587)	(3,708,424)	44,542	(7,082,469)
Total net position (deficit)	\$ (3,197,899)	\$ (3,604,354)	\$ 44,542	\$ (6,757,711)

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, 2022**

	Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Totals
Operating Revenues Collected:				
Charges for services	\$ 1,571,149	\$ 1,527,874	\$ 333,582	\$ 3,432,605
Total operating revenues collected	1,571,149	1,527,874	333,582	3,432,605
Operating Expenses Paid:				
Salaries and wages	308,326	412,373		720,699
Employee benefits	99,825	118,031		217,856
Training, safety, and clothing	18,634	15,602		34,236
Materials, supplies, and services	566,826	280,303	311,260	1,158,389
Total operating expenses paid	993,611	826,309	311,260	2,131,180
Operating income arising from cash transactions	577,538	701,565	22,322	1,301,425
Non-Operating Revenues Collected (Expenses Paid):				
Investment earnings	547	(13,596)	20,612	7,563
Capital grants	2,248,611			2,248,611
Interest expense	(133,382)	(137,075)		(270,457)
Capital outlay	(3,569,994)	(45,611)		(3,615,605)
Total non-operating revenues collected (expenses paid)	(1,454,218)	(196,282)	20,612	(1,629,888)
Income (loss) arising from cash transactions before transfers	(876,680)	505,283	42,934	(328,463)
Transfers:				
Transfers in	10,317	11,678		21,995
Transfers out	(125,000)	(125,000)		(250,000)
Changes in net position	(991,363)	391,961	42,934	(556,468)
Net position (deficit), beginning of the fiscal year	(2,206,536)	(3,996,315)	1,608	(6,201,243)
Net position (deficit), end of the fiscal year	\$ (3,197,899)	\$ (3,604,354)	\$ 44,542	\$ (6,757,711)

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, 2022

	Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Totals
Cash Flows from Operating Activities:				
Receipts from user charges	\$ 1,571,149	\$ 1,527,874	\$ 333,582	\$ 3,432,605
Interfund loan receipts (disbursements)	425,008			425,008
Payments to suppliers	(685,285)	(413,936)	(311,260)	(1,410,481)
Payments for salaries and benefits	(311,887)	(421,522)		(733,409)
Net Cash Provided (Used) by Operating Activities	998,985	692,416	22,322	1,713,723
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(3,569,994)	(45,611)		(3,615,605)
Receipts from grant proceeds- capital contributions	2,248,611			2,248,611
Principal paid	(374,000)	(257,649)		(631,649)
Interest paid	(133,382)	(137,075)		(270,457)
Net Cash Provided (Used) for Capital and Related Financing Activities	(1,828,765)	(440,335)		(2,269,100)
Cash Flows from Non-Capital Financing Activities:				
Transfers received	10,317	11,678		21,995
Transfers paid	(125,000)	(125,000)		(250,000)
Net Cash Provided (Used) from Non-Capital Financing Activities	(114,683)	(113,322)		(228,005)
Cash Flows from Investing Activities:				
Interest received	547	(13,596)	20,612	7,563
Net Cash Provided (Used) from Investing Activities	547	(13,596)	20,612	7,563
Increase (decrease) in cash and cash equivalents	(943,916)	125,163	42,934	(775,819)
Cash and cash equivalents, beginning of fiscal year	1,164,604	3,133,651	1,608	4,299,863
Cash and cash equivalents, end of fiscal year	\$ 220,688	\$ 3,258,814	\$ 44,542	\$ 3,524,044
Reconciliation to Statement of Net Position:				
Cash and investments	\$ -	\$ 3,154,743	\$ 44,542	\$ 3,199,285
Restricted cash and investments	220,688	104,071		324,759
Total cash and cash equivalents, end of fiscal year	\$ 220,688	\$ 3,258,814	\$ 44,542	\$ 3,524,044

(Continued)

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
ARISING FROM CASH TRANSACTIONS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	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	\$ 577,538	\$ 701,565	\$ 22,322	\$ 1,301,425
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in operating assets and liabilities:				
Increase (decrease) in due to other funds	425,008			425,008
Increase (decrease) in compensated absences	(3,561)	(9,149)		(12,710)
Net Cash Provided by Operating Activities	<u>\$ 998,985</u>	<u>\$ 692,416</u>	<u>\$ 22,322</u>	<u>\$ 1,713,723</u>

See accompanying notes to basic financial statements

CITY OF HOLTVILLE
FIDUCIARY FUND
STATEMENT OF NET POSITION ARISING FROM CASH TRANSACTIONS
JUNE 30, 2022

	Private-Purpose Trust Fund
	<u> </u>
ASSETS	
Cash and investments with fiscal agents	\$ 469,181
Restricted cash and investments	2,870,068
Land held for resale	<u>155,077</u>
Total assets	<u>3,494,326</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding of debt	<u>61,816</u>
Total deferred outflows of resources	<u>61,816</u>
Total assets and deferred outflows of resources	<u>3,556,142</u>
LIABILITIES	
Long-term debt, due within one year	200,000
Long-term debt, due in more than one year	<u>4,720,000</u>
Total liabilities	<u>4,920,000</u>
NET POSITION (DEFICIT)	
Held in trust for other purposes	<u>(1,363,858)</u>
Total net position (deficit)	<u><u>\$ (1,363,858)</u></u>

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, 2022**

	Private-Purpose Trust Fund
Additions:	
Tax and assessments	\$ 683,054
Investment revenue	(57,242)
Total additions	625,812
Deductions:	
Administration	286
Interest expense	268,836
Amortization expense	4,032
Contributions to City of Holtville	225,538
Total deductions	498,692
Change in net position	127,120
Net Position (Deficit) - July 1, 2021	(1,490,978)
Net Position (Deficit) - June 30, 2022	\$ (1,363,858)

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 unit 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 Statement of Assets, Liabilities, and Fund Balances Arising from Cash Transactions 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 Assets, Liabilities, and Net Position Arising from Cash Transactions, a Statement of Revenues Collected, Expenses Paid, and Changes in Net Position Arising from Cash Transactions, 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 Arising from Cash Transactions and Statement of Changes in Net Position Arising from Cash Transactions.

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 (deferred inflows) 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, 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. GASB Statement Number 87 “Leases” Implementation

GASB issued Statement No. 87 “Leases” to better meet the information needs of financial statement users by improving the accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessor is required to recognize a lease receivable and deferred inflow of resources, and a lessee is required to be recognized as a lease payable and a right-to-use asset, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The City has no leases where they are considered lessee or lessor.

N. 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.

O. 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.

P. 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 represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets. All other net position is considered unrestricted. Under the modified cash basis of accounting, the City does not report capital assets, therefore, there is no “net investments in capital assets.”

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

P. Net Position and Fund Balance (Continued)

At June 30, 2022, the City had recorded restricted net position in the Governmental Activities and Business-type Activities as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Restricted for:		
Housing	\$ 370,000	\$ -
Community development	1,608,739	
HOME grant program	1,164,723	
Transportation	1,767,731	
Streets and roads	747,575	
Debt service		238,578
Replacement reserve		72,043
Operations and maintenance reserve		14,137
Total Restricted	<u>\$ 5,658,768</u>	<u>\$ 324,758</u>

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.

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

O. Net Position and Fund Balance (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2022 are as follows:

Fund Balances	General Fund	Community Development Block Grant Special Revenue Fund	Home Grant Special Revenue Fund	Local Transit Authority Special Revenue Fund	Local Transportation Special Revenue Fund	Nonmajor Governmental Funds	Total
<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		1,014,159	115,317				1,129,476
Transportation				1,767,731			1,767,731
Streets and Roads						747,575	747,575
<i>Total Restricted</i>		1,014,159	115,317	1,767,731		747,575	3,644,782
Unassigned	4,230,098				(250,544)		3,979,554
<i>Total Fund Balances</i>	\$ 4,321,847	\$ 1,014,159	\$ 115,317	\$ 1,767,731	\$ (250,544)	\$ 747,575	\$ 7,716,085

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. 91	"Conduit Debt Obligations"	The provision of this statement are effective for fiscal years beginning after December 31, 2021
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. 99	"Omnibus 2022"	The provision of this statement are effective for fiscal years beginning after June 15, 2023
Statement No. 100	"Accounting Changes and Error Corrections- and amendment of GASB Statement No. 62"	The provision of this statement are effective for fiscal years beginning after June 30, 2023
Statement No. 101	"Compensated Absences"	The provision of this statement are effective for fiscal years beginning after December 15, 2023

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	\$ 63,523
Settlement agreement	24,931
Claims Payable	10,280
	<u>\$ 98,734</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances and Net Position

A deficit fund balance of \$250,544 exists in the Local Transportation fund, and deficit net positions of \$3,197,899, and \$3,604,354 exist in the Water Fund, and Sewer 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. The deficits in the Enterprise Funds exists mainly due to the non-capitalization of assets under the modified cash basis of accounting.

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

Excess of Expenditures over Appropriations

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

<u>FUND</u>	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	<u>EXCESS</u>
Major Funds:			
General:			
Public safety	\$ 1,603,587	\$ 1,744,272	\$ 140,685
Local Transit Authority Fund:			
Capital outlay	\$ -	\$ 1,500	\$ 1,500
Non-Major Funds:			
Gas Tax Fund:			
Transfer out	\$ 100,000	\$ 280,919	\$ 180,919

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	\$ 10,296,736
Restricted cash and investments	324,759
Statement of Fiduciary Net Position:	
Cash and investments with fiscal agents	469,181
Restricted cash and investments	<u>2,870,068</u>
 Total	 <u>\$ 13,960,744</u>

Cash and investments held by the City at June 30, 2022 consisted of the following:

Cash on hand	\$ 100
Cash deposits	8,377,165
Investments	<u>5,583,479</u>
 Total	 <u>\$ 13,960,744</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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (State Pool)	N/A	None	\$75 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%

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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	\$ 1,770,808	\$ 1,770,808	\$ -	\$ -	\$ -	\$ -
Money Market Funds	799,883	799,883				
Certificates of Deposit	1,650,270	494,325	474,310	232,272	449,363	
U.S. Government Agency Issues	324,345				324,345	
U.S. Treasury Notes	568,992	294,153			274,839	
Investments with Fiscal Agent:						
Money Market Funds	469,181	469,181				
Total	<u>\$ 5,583,479</u>	<u>\$ 3,828,350</u>	<u>\$ 474,310</u>	<u>\$ 232,272</u>	<u>\$ 1,048,547</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.

CITY OF HOLTVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk (Continued)

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 1,770,808	N/A	\$ -	\$ -	\$ -	\$ -	\$ 1,770,808
Money Market Funds	799,883	N/A					799,883
Certificates of Deposit*	1,650,270	N/A					1,650,270
U.S. Government Agency Issues	324,345	AAA		324,345			
U.S. Treasury Notes	568,992	AAA		568,992			
Investments with Fiscal Agent:							
Money Market Funds	469,181	N/A		469,181			
Total	<u>\$ 5,583,479</u>		<u>\$ -</u>	<u>\$ 1,362,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,220,961</u>

* All Certificates of Deposit are individually covered by FDIC limits

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:

Issuer	Investment Type	Reported Amount	Interest Rate	Maturity Date
United States Treasury	U.S Treasury Note	568,992	0.125-0.750%	3/31/2023-5/31/2026
Federal Home Loan Bank	U.S Government Agency Issue	324,345	0.60%	11/25/2025

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, 2022, \$7,261,929 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

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.

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, 2022:

	Totals 6/30/2022	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	\$ 324,345	\$ -	\$ 324,345	\$ -
U.S. Treasury Notes	568,992	-	568,992	-
Total Investments at Fair Value	893,337	\$ -	\$ 893,337	\$ -
Investments not subject to the Fair Value Hierarchy				
Money Market Funds	1,269,064			
Certificates of Deposit	1,650,270			
State Investment Pool	1,770,808			
Total Investments	<u>\$ 5,583,479</u>			

NOTE 5 – LOANS AND NOTES RECEIVABLE

The following is a summary of Loan and Note Receivables for the fiscal year ended June 30, 2022:

	Governmental Funds
Loan Receivable:	
General Fund loan	\$ 91,749
HOME grant program	4,606,304
CDBG grant program	607,670
Revolving business loans	88,787
Deferred business loans	370,000
Total Restricted	<u>\$ 5,764,510</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 \$1,141,155 as of June 30, 2022. \$91,749 is recorded in the General Fund for one of these loans receivable.

On September 1, 2003, the City loaned Holtville Gardens, L.P. \$3,000,000 as part of the State of California HOME Investment Partnership Program to aid in the development and construction of an 81-unit apartment complex located at 950 Holt Avenue in the City of Holtville. The terms of the loan call for Holtville Gardens to make annual payments in the amount of 50% of the “Distributable Cash Flow” from the project within ninety (90) days following the end of each calendar year, with respect to the preceding year. The entire amount of the outstanding principal, with the accrued interest at 1%, shall be due and payable in fifty-five (55) years from September 1, 2003. The outstanding balance as of June 30, 2022 is \$3,556,898. The fund financial statements reflect deferred revenue in the amount of \$3,556,898 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 \$3,556,898, as of June 30, 2022.

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, 2022 was \$370,000.

Total program loans receivable outstanding at June 30, 2022 is \$5,764,510, and the fund financial statements reflect deferred inflows of resources of \$5,570,884 to offset the deferred portion of these loans receivable.

NOTE 6 – PROPERTY TAXES

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

Property Valuations - are established by the Assessor of the County of Imperial for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies - are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates - are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends on June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

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

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

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, 2022, components of deferred inflows of resources – notes receivable reported in the fund financial statements were \$594,580, \$4,606,304, and \$370,000 in the Community Development Block Grant Special Revenue Fund, Home Grant Special Revenue Fund, and Low/Mod Housing Special Revenue Fund, respectively.

CITY OF HOLTVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 – LONG-TERM LIABILITIES

The following is a summary of Long-Term Liability activity for the fiscal year ended June 30, 2022:

Governmental activities	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>	<u>Due in one year</u>
Compensated absences	\$ 51,581	\$ 64,409	\$ 52,467	\$ 63,523	\$ 28,585
Settlement agreement	72,881		47,950	24,931	24,931
Claims payable	86,811		76,531	10,280	
	<u>\$ 211,273</u>	<u>\$ 64,409</u>	<u>\$ 176,948</u>	<u>\$ 98,734</u>	<u>\$ 53,516</u>
Business-type activities					
	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>	<u>Due in one year</u>
Compensated absences	\$ 128,047	\$ 45,057	\$ 68,055	\$ 105,049	\$ 10,505
1999 Water Revenue					
Refunding Bonds	305,000		305,000		
2009A Water Revenue Bonds	2,941,000		53,000	2,888,000	56,000
2009B Water Revenue Bonds	80,399		16,000	64,399	16,000
2013 Sewer Revenue Bonds	3,928,500		88,500	3,840,000	90,500
2014 Sewer Revenue Note	3,128,448		169,149	2,959,299	172,363
	<u>\$ 10,511,394</u>	<u>\$ 45,057</u>	<u>\$ 699,704</u>	<u>\$ 9,856,747</u>	<u>\$ 345,368</u>

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:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 24,931	\$ 1,745	\$ 26,676
	<u>\$ 24,931</u>	<u>\$ 1,745</u>	<u>\$ 26,676</u>

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

B. Business-type Activities

1999 Water Revenue Refunding Bonds

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

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

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

The refunding bond issue matures from December 1, 2002 to December 1, 2021 with interest rates from 3.75% to 5.00%. The future debt service requirements on the 1999 series Water Revenue Refunding Bonds are equal to \$0.

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. If the City defaults in performance of its obligations under the bond agreement, the USDA may do one of the following: (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the City (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintenance, and operate or rent it.

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

B. Business-type Activities (Continued)

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
2023	\$ 56,000	\$ 121,540	\$ 177,540
2024	58,000	119,117	177,117
2025	60,000	116,933	176,933
2026	63,000	113,995	176,995
2027	66,000	111,253	177,253
2028-2032	372,000	511,418	883,418
2033-2037	459,000	423,545	882,545
2038-2042	566,000	314,695	880,695
2043-2047	696,000	180,952	876,952
2048-2050	492,000	31,913	523,913
	<u>\$ 2,888,000</u>	<u>\$ 2,045,361</u>	<u>\$ 4,933,361</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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>\$ 64,399</u>	<u>\$ 3,313</u>	<u>\$ 67,712</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, 2022 is \$3,840,000.

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

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

B. Business-type Activities (Continued)

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. If the City defaults in performance of its obligations under the bond agreement, the USDA may declare the entire principal and accrued interest of the bonds to be due and payable immediately.

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
2023	\$ 90,500	\$ 75,895	\$ 166,395
2024	92,250	74,068	166,318
2025	94,000	72,206	166,206
2026	96,000	70,306	166,306
2027	98,000	68,366	166,366
2028-2032	520,000	311,330	831,330
2033-2037	574,750	256,652	831,402
2038-2042	636,000	196,180	832,180
2043-2047	702,000	129,320	831,320
2048-2049	936,500	57,143	993,643
	<u>\$ 3,840,000</u>	<u>\$ 1,311,466</u>	<u>\$ 5,151,466</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 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, 2022 is \$2,959,299. If the City defaults in performance of obligations of the agreement, the State may elect to take the City to court to recover payments and additional penalties.

Interest on the 2014 Sewer Revenue Loan 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
2023	\$ 172,363	\$ 56,227	\$ 228,590
2024	175,638	52,952	\$ 228,590
2025	178,975	49,615	228,590
2026	182,375	46,214	228,589
2027	185,840	42,749	228,589
2028-2032	983,527	159,418	1,142,945
2033-2037	1,080,581	62,365	1,142,946
	<u>\$ 2,959,299</u>	<u>\$ 469,540</u>	<u>\$ 3,428,839</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 the fund’s pooled cash amount.

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 as of June 30, 2022 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
Major Funds:		
General	\$ 675,552	\$ -
Local Transportation		250,544
Proprietary Funds:		
Major Funds:		
Water		425,008
	<u>\$ 675,552</u>	<u>\$ 675,552</u>

B. Interfund transfers

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

Transfers for the fiscal year ended June 30, 2022 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major Funds:		
General	\$ 400,000	\$ 21,995
Local Transit Authority		75,000
Local Transportation	205,919	
Nonmajor Fund:		
Gas Tax		280,919
Proprietary Funds:		
Major Funds:		
Water	10,317	125,000
Sewer	11,678	125,000
	<u>\$ 627,914</u>	<u>\$ 627,914</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, 2021 (latest information available) is as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Liability</u>
Total assets	\$ 37,196,838	\$ 16,422,620
Total liabilities	33,446,620	18,205,404
Net position	3,750,218	(1,782,784)
Total revenues	4,257,710	10,312,250
Total expenditures	5,088,238	13,970,550
Net increase (decrease) in net position	(830,528)	(3,658,300)

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, 2022, the amount of these liabilities was \$10,280. This liability is the City's best estimate based on available information.

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 \$20,500 or one-third of a participant's annual compensation, whichever is less. 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.

The City contracts with the County of Imperial for law enforcement services. The law enforcement contract includes a 5-year option renewal. The contract was renewed for 5 years through January 4, 2025. The amount of expenditures under the contract is \$1,103,458 per year until the contract expires on January 4, 2025.

The City contracted with Canyon Springs Enterprises for construction contract services for the Water Treatment Plan Project. The City has a construction commitment of \$273,418 remaining for this project.

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.

As of June 30, 2022, the Successor Agency holds land valued at \$155,077 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, 2022 was \$61,816 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, 2022, 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.

If the City defaults in performance of its obligations under the bond agreement, the trustee, upon the written request of the bond owners, may declare the entire principal and accrued interest of the bonds to be due and payable immediately.

Future minimum debt service payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 200,000	\$ 258,821	\$ 458,821
2024	215,000	247,998	462,998
2025	225,000	236,338	461,338
2026	235,000	224,148	459,148
2027	250,000	211,295	461,295
2028-2032	1,450,000	836,870	2,286,870
2033-2037	1,900,000	387,450	2,287,450
2038	445,000	12,015	457,015
	<u>\$ 4,920,000</u>	<u>\$ 2,414,935</u>	<u>\$ 7,334,935</u>

CITY OF HOLTVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

The following is a summary of Long-Term Debt activity of the Successor Agency for the fiscal year ended June 30, 2022:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due in one year
2007 Tax Allocation Bonds	<u>\$ 5,115,000</u>	<u>\$ -</u>	<u>\$ 195,000</u>	<u>\$ 4,920,000</u>	<u>\$ 200,000</u>

NOTE 15 – FINANCIAL CONDITION

The City's business-type activities net position has a deficit of \$6,757,711 at June 30, 2022, which includes deficit net positions of \$3,197,899 in the Water Fund, and \$3,604,354 in the Sewer Fund. Continued deficits and negative cash balances can result in a going concern and compliance issues with debt covenants. Additionally, future capital improvements and operations could be affected if continued deficits occur.

The deficit net positions are mostly the result of reporting the long-term debt without the related capitalization of the assets the bond funds were used to construct. This is based on the City using the modified cash basis of accounting.

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, 2022**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected				
Taxes:				
Secured and unsecured property taxes	\$ 376,200	\$ 376,200	\$ 401,040	\$ 24,840
Utility users taxes	432,000	432,000	479,124	47,124
Sales and use taxes	335,000	335,000	463,453	128,453
Franchise taxes	90,500	90,500	140,585	50,085
Other taxes	32,000	32,000	40,383	8,383
Licenses and permits	1,350	1,350	1,739	389
Fines and penalties	1,150	1,150	252	(898)
Investment revenue collected	12,500	12,500	(28,850)	(41,350)
Intergovernmental revenue collected	905,738	905,738	2,207,674	1,301,936
Charges for current services	133,475	133,475	68,017	(65,458)
Other revenues collected	32,500	32,500	10,838	(21,662)
Total revenues collected	2,352,413	2,352,413	4,009,793	1,657,380
Expenditures Paid				
General Government:				
City council	39,735	39,735	25,583	14,152
City manager	228,590	228,590	223,631	4,959
Planning	207,843	207,843	181,471	26,372
Engineering	5,000	5,000	3,850	1,150
City clerk	6,060	6,060	10,174	(4,114)
Farmers markets	10,350	10,350		10,350
Finance office	161,957	161,957	132,601	29,356
City treasurer	1,994	1,994	1,946	48
City attorney	41,300	41,300	26,251	15,049
Non-departmental	246,552	246,552	217,069	29,483
Total general government	949,381	949,381	822,576	126,805
Public Safety:				
Police department	942,000	942,000	993,491	(51,491)
Dispatch services	101,712	101,712	101,712	
Animal control	23,574	23,574	18,074	5,500
Fire department	536,301	536,301	630,995	(94,694)
Total public safety	1,603,587	1,603,587	1,744,272	(140,685)

(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, 2022**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures Paid (continued)				
Public Works:				
Street maintenance	\$ 156,752	\$ 156,752	\$ 146,568	\$ 10,184
Parks maintenance	153,166	153,166	151,828	1,338
Building maintenance	106,350	106,350	76,725	29,625
Total public works	416,268	416,268	375,121	41,147
Total expenditures paid	2,969,236	2,969,236	2,941,969	27,267
Excess of revenues collected over (under) expenditures paid	(616,823)	(616,823)	1,067,824	1,684,647
Other Financing Sources (Uses):				
Transfers in	625,000	625,000	400,000	(225,000)
Total other financing sources (uses)	625,000	625,000	400,000	(225,000)
Net changes in fund balances	8,177	8,177	1,467,824	1,459,647
Fund balance - July 1, 2021	3,506,472	3,506,472	3,506,472	
Fund balance - June 30, 2022	<u>\$ 3,514,649</u>	<u>\$ 3,514,649</u>	<u>\$ 4,974,296</u>	<u>\$ 1,459,647</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, 2022**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected:				
Investment earnings	\$ 1,000	\$ 1,000	\$ 540	\$ (460)
Intergovernmental	350,000	350,000	467,856	117,856
Total revenues collected	351,000	351,000	468,396	117,396
Expenditures Paid:				
Capital outlay			1,500	(1,500)
Total expenditures paid			1,500	(1,500)
Excess of revenues collected over (under) expenditures paid	351,000	351,000	466,896	115,896
Other Financing Sources (Uses):				
Transfers out	(100,000)	(100,000)	(75,000)	25,000
Total other financing sources (uses)	(100,000)	(100,000)	(75,000)	25,000
Net change in fund balance	251,000	251,000	391,896	140,896
Fund balance, July 1, 2021	1,375,835	1,375,835	1,375,835	
Fund balance, June 30, 2022	\$ 1,626,835	\$ 1,626,835	\$ 1,767,731	\$ 140,896

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, 2022**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues Collected:				
Intergovernmental	\$ 2,900,000	\$ 2,900,000	\$ 570,048	\$ (2,329,952)
Total revenues collected	2,900,000	2,900,000	570,048	(2,329,952)
Expenditures Paid:				
Capital outlay	3,644,000	3,644,000	469,745	3,174,255
Total expenditures paid	3,644,000	3,644,000	469,745	3,174,255
Excess of revenues collected over (under) expenditures paid	(744,000)	(744,000)	100,303	844,303
Other Financing Sources (Uses):				
Transfers in			205,919	205,919
Total other financing sources (uses)			205,919	205,919
Net change in fund balance	(744,000)	(744,000)	306,222	1,050,222
Fund balance (deficit), July 1, 2021	(556,766)	(556,766)	(556,766)	
Fund balance (deficit), June 30, 2022	<u>\$ (1,300,766)</u>	<u>\$ (1,300,766)</u>	<u>\$ (250,544)</u>	<u>\$ 1,050,222</u>

OTHER SUPPLEMENTAL INFORMATION

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

JUNE 30, 2022

	Special Revenue Funds			Totals
	Gas Tax Fund	Bikepath Fund	Low/Mod Housing Fund	
ASSETS				
Cash and investments	\$ 727,875	\$ 19,700	\$ -	\$ 747,575
Notes receivable			370,000	370,000
Total assets	<u>\$ 727,875</u>	<u>\$ 19,700</u>	<u>\$ 370,000</u>	<u>\$ 1,117,575</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	\$ -	\$ -	\$ 370,000	\$ 370,000
Total liabilities and deferred inflows of resources			370,000	370,000
Fund Balances:				
Restricted	727,875	19,700		747,575
Total fund balances	<u>727,875</u>	<u>19,700</u>		<u>747,575</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 727,875</u>	<u>\$ 19,700</u>	<u>\$ 370,000</u>	<u>\$ 1,117,575</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, 2022**

	Special Revenue Funds			Totals
	Gas Tax Fund	Bikepath Fund	Low/Mod Housing Fund	
Revenues Collected:				
Taxes and other assessments	\$ 265,219	\$ -	\$ -	\$ 265,219
Investment earnings	712	18		730
Total revenues collected	265,931	18		265,949
Other Financing Sources (Uses):				
Transfers out	(280,919)			(280,919)
Total other financing sources (uses)	(280,919)			(280,919)
Net changes in fund balances	(14,988)	18		(14,970)
Fund balances, July 1, 2021	742,863	19,682		762,545
Fund balances, June 30, 2022	<u>\$ 727,875</u>	<u>\$ 19,700</u>	<u>\$ -</u>	<u>\$ 747,575</u>

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, 2022

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:			
Taxes and other assessments	\$ 281,596	\$ 265,219	\$ (16,377)
Investment earnings	1,000	712	(288)
Total revenues collected	282,596	265,931	(16,665)
Expenditures Paid:			
Capital outlay	120,978		120,978
Total expenditures paid	120,978		120,978
Excess of revenues collected over (under) expenditures paid	161,618	265,931	104,313
Other Financing Sources (Uses):			
Transfers out	(100,000)	(280,919)	(180,919)
Total other financing sources (uses)	(100,000)	(280,919)	(180,919)
Net change in fund balance	61,618	(14,988)	(76,606)
Fund balance, July 1, 2021	742,863	742,863	
Fund balance, June 30, 2022	\$ 804,481	\$ 727,875	\$ (76,606)

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, 2022**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues Collected:			
Intergovernmental	\$ 17,600	\$ -	\$ (17,600)
Investment earnings	100	18	(82)
Total revenues collected	17,700	18	(17,682)
Expenditures Paid:			
Public works	6,000		6,000
Total expenditures paid	6,000		6,000
Net change in fund balance	11,700	18	(11,682)
Fund balance, July 1, 2021	19,682	19,682	
Fund balance, June 30, 2022	\$ 31,382	\$ 19,700	\$ (11,682)