

City of Calexico

Calexico, California

Basic Financial Statements and Independent Auditors' Report

For the year ended June 30, 2015



City of Calexico
Basic Financial Statements
For the Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Honorable City Council
of the City of Calexico
Calexico, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calexico, California (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund balance of the City, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Restatement of Prior Year Financial Statements

As discussed in Note 18 to the financial statements, various account balances have been restated. We audited the adjustments described in Note 18 that were applied to restate the beginning balance as of July 1, 2014 in the basic financial statements. In our opinion, such adjustments are appropriate and have been properly applied. Our opinion is not modified in respect to this matter.

Implementation of GASB Statement No. 68 and 71

As discussed in Note 1 and 9 to the basic financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The adoption of these standards required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2014 as described in Note 18 to the basic financial statements. In addition, aggregate net pension liability is reported in the Statement of Net Position in the amount of \$19,547,541 as of June 30, 2014, the measurement date. This net pension liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2013 which was rolled-forward by the actuaries to June 30, 2014, the measurement date. Our opinion is not modified with respect to this matter.

Improper Stewardship of Funds

As discussed in Note 16 to the basic financial statements, the expenditures exceeded appropriations for the General Fund. Our opinion is not modified with respect to this matter.

Financial Condition of the General Fund

As discussed in Note 19 to the basic financial statements, the General Fund of the City has suffered significant reductions in fund balances from operations and is experiencing cash shortfalls. The City had net decreases of its net position in the amount of \$(4,080,591) of its governmental activities and the General Fund has suffered significant reductions in fund balances by \$(4,143,970) from operations. As of June 30, 2015, the General Fund has a negative fund balance and cash overdrawn of \$(114,972) and \$(166,408), respectively. These conditions raise concerns about the financial condition of the City’s General Fund and impact on future operations of the City. Management’s plans regarding those matters are also described in Note 19. The basic financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of the City's Proportionate Share of Net Pension Liability and Related Ratios, Schedule of Contributions and Schedule of Funding Progress of the Other Postemployment Benefit Plan, on pages 101 through 108 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements on pages 112 through 129 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable City Council
of the City of Calexico
Calexico, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California
November 2, 2016

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Calexico
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 17,804,741	\$ 22,888,988	\$ 40,693,729
Receivables:			
Accounts, net	1,553,662	6,335,211	7,888,873
Intergovernmental	3,322,190	-	3,322,190
Internal balances	(166,408)	166,408	-
Inventories and prepaid items	-	36,432	36,432
Total current assets	22,514,185	29,427,039	51,941,224
Noncurrent assets:			
Cash and investments with fiscal agents	21,803,333	988,706	22,792,039
Capital assets:			
Non-depreciable assets	10,977,481	9,009,575	19,987,056
Depreciable assets, net	44,342,554	40,201,934	84,544,488
Total capital assets	55,320,035	49,211,509	104,531,544
Total noncurrent assets	77,123,368	50,200,215	127,323,583
Total assets	99,637,553	79,627,254	179,264,807
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions made after measurement date	1,546,852	118,100	1,664,952
Employer's actual contribution in excess of the			
Employer's proportionate share of contributions	222,463	-	222,463
Total deferred outflows of resources	1,769,315	118,100	1,887,415

City of Calexico
Statement of Net Position (Continued)
June 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,235,595	\$ 1,620,711	\$ 4,856,306
Accrued payroll	220,059	40,827	260,886
Interest payable	181,446	137,079	318,525
Unearned revenue	2,036	-	2,036
Claims payable - due within one year	378,063	-	378,063
Long-term debt - due within one year	1,319,862	547,536	1,867,398
Total current liabilities	5,337,061	2,346,153	7,683,214
Noncurrent liabilities:			
Deposits payable	116,558	340,618	457,176
Accrued liabilities	620,000	-	620,000
Compensated absences	1,300,273	269,922	1,570,195
Net OPEB liability	11,277,036	-	11,277,036
Aggregate net pension liability	14,288,477	1,898,785	16,187,262
Claims payable - due in more than one year	1,818,963	-	1,818,963
Long-term debt - due in more than one year	25,865,714	13,445,268	39,310,982
Total noncurrent liabilities	55,287,021	15,954,593	71,241,614
Total liabilities	60,624,082	18,300,746	78,924,828
DEFERRED INFLOWS OF RESOURCES			
Actual earnings in excess of projected earnings on pension plan investments	4,166,805	749,821	4,916,626
Difference in proportions	125,840	-	125,840
Total deferred inflows of resources	4,292,645	749,821	5,042,466
NET POSITION (Defici			
Net investment in capital assets	28,134,459	33,319,920	61,454,379
Restricted for:			
Special projects	15,326,263	-	15,326,263
Debt service	2,727,978	988,706	3,716,684
Capital projects	23,332,254	-	23,332,254
Total restricted	41,386,495	988,706	42,375,201
Unrestricted (deficit)	(33,030,813)	26,386,161	(6,644,652)
Total net position	\$ 36,490,141	\$ 60,694,787	\$ 97,184,928

City of Calexico
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 2,778,292	\$ 264,069	\$ 124,365	\$ 30,624	\$ 419,058
Public safety	16,104,550	1,919,786	1,528,418	82,151	3,530,355
Public works	4,484,727	1,790,979	1,158,078	4,907,575	7,856,632
Culture and recreation	1,598,538	114,543	27,849	143,136	285,528
Community development	1,244,104	811,002	-	-	811,002
Housing	6,052,260	-	4,694,429	-	4,694,429
Depreciation (unallocated)	3,454,025	-	-	-	-
Interest and fiscal charges	1,007,951	-	-	-	-
Total governmental activities	36,724,447	4,900,379	7,533,139	5,163,486	17,597,004
Business-type activities:					
Water	5,531,288	6,686,106	-	1,302,603	7,988,709
Wastewater	3,433,437	5,472,850	-	22,318	5,495,168
Airport	368,163	215,732	-	2,534,448	2,750,180
Transit	100,135	10,306	-	3,900	14,206
Total business-type activities	9,433,023	12,384,994	-	3,863,269	16,248,263
Total primary government	\$ 46,157,470	\$ 17,285,373	\$ 7,533,139	\$ 9,026,755	\$ 33,845,267

City of Calexico
Statement of Activities and Changes in Net Position (Continued)
For the Year Ended June 30, 2015

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (2,359,234)	\$ -	\$ (2,359,234)
Public safety	(12,574,195)	-	(12,574,195)
Public works	3,371,905	-	3,371,905
Culture and recreation	(1,313,010)	-	(1,313,010)
Community development	(433,102)	-	(433,102)
Housing	(1,357,831)	-	(1,357,831)
Depreciation (unallocated)	(3,454,025)	-	(3,454,025)
Interest and fiscal charges	(1,007,951)	-	(1,007,951)
Total governmental activities	<u>(19,127,443)</u>	<u>-</u>	<u>(19,127,443)</u>
Business-type activities:			
Water	-	2,457,421	2,457,421
Wastewater	-	2,061,731	2,061,731
Airport	-	2,382,017	2,382,017
Transit	-	(85,929)	(85,929)
Total business-type activities	<u>-</u>	<u>6,815,240</u>	<u>6,815,240</u>
Total primary government	<u>(19,127,443)</u>	<u>6,815,240</u>	<u>(12,312,203)</u>
General revenues:			
Taxes:			
Property taxes	4,605,156	-	4,605,156
Sales taxes	7,356,433	-	7,356,433
Transit occupancy taxes	267,487	-	267,487
Franchise fees	758,520	-	758,520
Non-regulatory business license tax	788,975	-	788,975
Total taxes	13,776,571	-	13,776,571
Investment earnings	293,858	-	293,858
Miscellaneous	119,293	-	119,293
Gain (loss) on sale of property	65,000	(1,876,916)	(1,811,916)
Total general revenues	<u>14,254,722</u>	<u>(1,876,916)</u>	<u>12,377,806</u>
Change in net position	(4,872,721)	4,938,324	65,603
Net position - beginning of year, as restated (Note 18)	<u>41,362,862</u>	<u>55,756,463</u>	<u>97,119,325</u>
Net position - end of year	<u>\$ 36,490,141</u>	<u>\$ 60,694,787</u>	<u>\$ 97,184,928</u>

See accompanying Notes to the Basic Financial Statements.

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

City of Calexico
Balance Sheet
Governmental Funds
June 30, 2015

	Major Funds			
	General Fund	LTA Measure D Special Revenue Fund	Federal HOME Grant Fund	Measure H Capital Projects Fund
ASSETS				
Cash and investments	\$ -	\$ 5,069,228	\$ 166	\$ -
Cash and investments with fiscal agents	-	-	-	10,863,280
Receivables:				
Accounts	108,517	-	589,373	-
Intergovernmental	1,134,271	-	-	-
Due from other funds	-	2,514,983	-	-
Total assets	\$ 1,242,788	\$ 7,584,211	\$ 589,539	\$ 10,863,280
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash and investments overdrawn				
Accounts payable and accrued liabilities	\$ 867,168	\$ -	\$ 574,312	\$ -
Accrued payroll	207,626	-	-	-
Due to other funds	166,408	-	231,875	727,805
Deposits payable	116,558	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	1,357,760	-	806,187	727,805
Fund Balances:				
Non-spendable	-	-	-	-
Restricted	-	7,584,211	-	10,135,475
Unassigned (deficit)	(114,972)	-	(216,648)	-
Total fund balances	(114,972)	7,584,211	(216,648)	10,135,475
Total liabilities and fund balances	\$ 1,242,788	\$ 7,584,211	\$ 589,539	\$ 10,863,280

City of Calexico
Balance Sheet (Continued)
Governmental Funds
June 30, 2015

	<u>Major Funds</u>		
	<u>Measure D Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ -	\$ 12,605,191	\$ 17,674,585
Cash and investments with fiscal agents	8,230,075	2,709,978	21,803,333
Receivables:			
Accounts	-	832,814	1,530,704
Intergovernmental	-	2,187,919	3,322,190
Due from other funds	-	2,165,833	4,680,816
Total assets	\$ 8,230,075	\$ 20,501,735	\$ 49,011,628
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 672,423	\$ 968,578	\$ 3,082,481
Accrued payroll	-	12,433	220,059
Due to other funds	274,339	3,446,797	4,847,224
Deposits payable	-	-	116,558
Unearned revenue	-	2,036	2,036
Total liabilities	946,762	4,429,844	8,268,358
Fund Balances:			
Non-spendable	-	1,556,556	1,556,556
Restricted	7,283,313	16,383,496	41,386,495
Unassigned (deficit)	-	(1,868,161)	(2,199,781)
Total fund balances	7,283,313	16,071,891	40,743,270
Total liabilities and fund balances	\$ 8,230,075	\$ 20,501,735	\$ 49,011,628

City of Calexico
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2015

Total Fund Balances - Total Governmental Funds	<u>\$ 40,743,270</u>
Amounts reported for governmental activities in the Statement of Net Assets were different because:	
Capital assets used in governmental activities were not financial resources and therefore were not reported in the governmental funds.	
Nondepreciable	10,977,481
Depreciable, net of accumulated depreciation	<u>44,342,554</u>
Total capital assets	<u>55,320,035</u>
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.	
Accrued liabilities	(620,000)
Compensated absences	(1,300,273)
Claims payable - due within one year	(378,063)
Long-term liabilities - due within one year	(1,319,862)
Claims payable - due in more than one year	(1,818,963)
Long-term liabilities - due in more than one year	<u>(25,865,714)</u>
Total long-term liabilities	<u>(31,302,875)</u>
Pension contributions made during the year after the measurement date are reported as expenditures in governmental funds and as deferred outflow of resources in the government-wide financial statements.	
	1,546,852
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.	
	(14,288,477)
Difference between projected and actual earnings on pension plan investments are reported in the government-wide statements.	
Projected earnings over actual earnings	(4,166,805)
Difference between projected and actual earnings on pension plan investments are reported in the government-wide statements.	
Deferred adjustments due positive differences in pension cost-sharing proportion	(125,840)
Difference between employer actual contribution and employer's proportionate share of contribution	
Employer's proportionate share of contributions in excess of the Employer's actual contribution	222,463
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds.	
	<u>(181,446)</u>
Net OPEB liability was not due and payable in the current period and therefore was not reported in the governmental funds.	
	<u>(11,277,036)</u>
Net Position of Governmental Activities	<u><u>\$ 36,490,141</u></u>

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City of Calexico
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds			
	General Fund	LTA Measure D Special Revenue Fund	Federal HOME Grant Fund	Measure H Capital Projects Fund
REVENUES:				
Property taxes	\$ 2,133,732	\$ -	\$ -	\$ -
Other taxes	7,240,324	-	-	-
Licenses and permits	1,515,816	-	-	-
Intergovernmental	3,761,789	1,190,082	4,169,978	-
Charges for services	1,844,093	100	-	-
Fines and forfeitures	369,098	-	-	-
Use of money and property	266,110	12,744	166	185
Other revenues	66,153	-	-	-
Total revenues	17,197,115	1,202,926	4,170,144	185
EXPENDITURES:				
Current:				
General government	2,882,175	-	-	-
Public safety	12,902,116	-	-	-
Public works	1,763,925	12,209	-	-
Culture and recreation	1,424,588	-	-	-
Community development	1,073,135	-	-	-
Housing	203	-	4,439,195	-
Capital outlay	407,100	467,273	-	336,618
Debt service:				
Principal	195,688	-	-	-
Interest and fiscal charges	9,174	-	-	-
Total expenditures	20,658,104	479,482	4,439,195	336,618
REVENUES OVER (UNDER) EXPENDITURES	(3,460,989)	723,444	(269,051)	(336,433)
OTHER FINANCING SOURCES (USES):				
Transfers in	391,188	-	-	10,863,096
Transfers out	(1,103,219)	(141,325)	-	(391,188)
Total other financing sources (uses)	(712,031)	(141,325)	-	10,471,908
NET CHANGE IN FUND BALANCE	(4,173,020)	582,119	(269,051)	10,135,475
FUND BALANCES:				
Beginning of year, as restated (Note 18)	4,058,048	7,002,092	52,403	-
End of year	\$ (114,972)	\$ 7,584,211	\$ (216,648)	\$ 10,135,475

City of Calexico
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2015

	<u>Major Funds</u>		
	<u>Measure D Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Property taxes	\$ -	\$ -	\$ 2,133,732
Other taxes	-	250,956	7,491,280
Licenses and permits	-	-	1,515,816
Intergovernmental	-	6,829,108	15,950,957
Charges for services	-	2,082,188	3,926,381
Fines and forfeitures	-	12,990	382,088
Use of money and property	-	45,437	324,642
Other revenues	-	60,677	126,830
Total revenues	-	9,281,356	31,851,726
EXPENDITURES:			
Current:			
General government	-	18,203	2,900,378
Public safety	-	1,155,844	14,057,960
Public works	-	2,566,841	4,342,975
Culture and recreation	-	67,449	1,492,037
Community development	-	-	1,073,135
Housing	-	1,612,862	6,052,260
Capital outlay	2,507,134	3,066,095	6,784,220
Debt service:			
Principal	-	1,190,000	1,385,688
Interest and fiscal charges	-	941,740	950,914
Total expenditures	2,507,134	10,619,034	39,039,567
REVENUES OVER (UNDER) EXPENDITURES	(2,507,134)	(1,337,678)	(7,187,841)
OTHER FINANCING SOURCES (USES):			
Transfers in	11,105,872	1,244,544	23,604,700
Transfers out	-	(21,968,968)	(23,604,700)
Total other financing sources (uses)	11,105,872	(20,724,424)	-
NET CHANGE IN FUND BALANCE	8,598,738	(22,062,102)	(7,187,841)
FUND BALANCES:			
Beginning of year, as restated (Note 18)	(1,315,425)	38,133,993	47,931,111
End of year	\$ 7,283,313	\$ 16,071,891	\$ 40,743,270

City of Calexico
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (7,187,841)

Amounts reported for governmental activities in the Statement of Activities were different because:

Governmental funds reported capital outlay as expenditures. Capital outlay expenditures were included in the Statement of Revenues, Expenditures, and Changes in Fund Balances throughout various departments. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over the estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. The amount of repairs and maintenance included in Capital Outlay was \$299,322.	6,176,984
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in governmental funds.	(3,454,025)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) decreased Net Position.	(46,628)
Changes in net pension liability reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds (Note 9).	4,260,429
The net effect of various miscellaneous transactions involving pension plans (i.e. deferred inflow/outflow amortization, contributions after measurement date) increased Net Position.	(4,068,423)
Long-term claims payable were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, the change in long-term claims payable was not reported as an expenditure in governmental funds.	170,607
Accrued liabilities were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, the change in Accrued liabilities non-insured losses was not reported as an expenditure in governmental funds.	(620,000)
Long-term compensated absences were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, the change in long-term compensated absences was not reported as an expenditure in governmental funds.	383,291
Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Principal payment	1,190,000
Capital lease payment	195,688
Amortization expenses were reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, amortization expenses were not reported as expenditures in the Governmental Funds.	
Bond premiums	69,215
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. The following amount represents the change in accrued interest from the prior year.	(57,037)
Net OPEB liability was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the change in the OPEB liability was not reported as an expenditure in governmental funds (Note 10).	(1,884,981)
Change in Net Position of Governmental Activities	<u><u>\$ (4,872,721)</u></u>

PROPRIETARY FUND FINANCIAL STATEMENTS

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City of Calexico
Statement of Net Position
Proprietary Funds
June 30, 2015

	Major Funds			Non-Major	Total	Internal Service Fund
	Water	Wastewater	Airport	Transit		
ASSETS						
Current assets:						
Cash and investments	\$ 9,184,789	\$ 13,686,614	\$ -	\$ 17,585	\$ 22,888,988	\$ 130,156
Cash and investments with fiscal agents	988,706	-	-	-	988,706	-
Accounts receivable, net	3,484,967	460,603	2,389,641	-	6,335,211	22,958
Due from other funds	2,371,956	166,408	-	-	2,538,364	-
Inventories and prepaid items	-	-	36,432	-	36,432	-
Total current assets	16,030,418	14,313,625	2,426,073	17,585	32,787,701	153,114
Noncurrent assets:						
Capital assets:						
Non-depreciable	3,311,027	2,085,605	3,612,943	-	9,009,575	-
Depreciable, net	30,384,104	8,959,065	858,765	-	40,201,934	-
Total net capital assets	33,695,131	11,044,670	4,471,708	-	49,211,509	-
Total noncurrent assets	33,695,131	11,044,670	4,471,708	-	49,211,509	-
Total assets	49,725,549	25,358,295	6,897,781	17,585	81,999,210	153,114
DEFERRED OUTFLOWS OF RESOURCES						
Pension contributions made after measurement date	72,107	45,993	-	-	118,100	-
Total deferred outflows of resources	72,107	45,993	-	-	118,100	-
LIABILITIES						
Current liabilities:						
Accounts payable	275,600	401,721	943,390	-	1,620,711	153,114
Accrued payroll	25,892	14,935	-	-	40,827	-
Interest payable	125,223	11,856	-	-	137,079	-
Due to other funds	-	-	2,371,956	-	2,371,956	-
Long-term debt - due in more than one year	385,000	162,536	-	-	547,536	-
Total current liabilities	811,715	591,048	3,315,346	-	4,718,109	153,114
Noncurrent liabilities:						
Deposits payable	340,618	-	-	-	340,618	-
Compensated absences	175,555	94,367	-	-	269,922	-
Aggregate net pension liability	1,159,324	739,461	-	-	1,898,785	-
Long term debt, due in over one year	13,275,000	170,268	-	-	13,445,268	-
Total noncurrent liabilities	14,950,497	1,004,096	-	-	15,954,593	-
Total liabilities	15,762,212	1,595,144	3,315,346	-	20,672,702	153,114
DEFERRED INFLOWS OF RESOURCES						
Actual earnings in excess of projected earnings on pension plan investments	457,811	292,010	-	-	749,821	-
Total deferred outflows of resources	457,811	292,010	-	-	749,821	-
NET POSITION						
Net investment in capital assets	18,875,807	9,972,405	4,471,708	-	33,319,920	-
Restricted for:						
Debt service	988,706	-	-	-	988,706	-
Unrestricted	13,713,120	13,544,729	(889,273)	17,585	26,386,161	-
Total net position	\$ 33,577,633	\$ 23,517,134	\$ 3,582,435	\$ 17,585	\$ 60,694,787	\$ -

City of Calexico
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Major Funds			Non-Major	Total	Internal Service Fund
	Water	Wastewater	Airport	Transit		
OPERATING REVENUES:						
Charges for services	\$ 6,686,106	\$ 5,472,850	\$ 215,732	\$ 10,306	\$ 12,384,994	\$ -
Other revenue	1,302,603	22,318	2,534,448	3,900	3,863,269	-
Total operating revenues	7,988,709	5,495,168	2,750,180	14,206	16,248,263	-
OPERATING EXPENSES:						
Salaries and benefits	1,909,010	1,195,892	4,457	-	3,109,359	-
Material, supplies, and operational expenses	2,621,502	1,723,366	290,699	100,135	4,735,702	-
Insurance	159,726	99,891	7,146	-	266,763	-
Depreciation	841,050	414,288	65,861	-	1,321,199	-
Total operating expenses	5,531,288	3,433,437	368,163	100,135	9,433,023	-
OPERATING INCOME (LOSS)	2,457,421	2,061,731	2,382,017	(85,929)	6,815,240	-
NONOPERATING REVENUES (EXPENSES):						
Loss on disposal of assets	(1,668,794)	(70,349)	(137,773)	-	(1,876,916)	-
Total nonoperating revenues (expenses)	(1,668,794)	(70,349)	(137,773)	-	(1,876,916)	-
NET INCOME (Loss)	788,627	1,991,382	2,244,244	(85,929)	4,938,324	-
Change in net position	788,627	1,991,382	2,244,244	(85,929)	4,938,324	-
NET POSITION:						
Beginning of year, as restated (Note 18)	32,789,006	21,525,752	1,338,191	103,514	55,756,463	-
End of year	<u>\$ 33,577,633</u>	<u>\$ 23,517,134</u>	<u>\$ 3,582,435</u>	<u>\$ 17,585</u>	<u>\$ 60,694,787</u>	<u>\$ -</u>

City of Calexico
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Major Funds			Non-Major	Total	Internal Service Fund
	Water	Wastewater	Airport	Transit		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers and users	\$ 10,626,095	\$ 6,315,260	\$ 398,484	\$ 358,739	\$ 17,698,578	\$ -
Cash payments to suppliers for goods and services	(3,111,320)	(1,499,023)	596,905	(133,709)	(4,147,147)	130,156
Cash payments to employees for services	(1,932,511)	(1,213,157)	(4,457)	-	(3,150,125)	-
Cash payments to other funds	(2,371,956)	(166,408)	2,371,956	(207,445)	(373,853)	-
Net cash provided by operating activities	3,210,308	3,436,672	3,362,888	17,585	10,027,453	130,156
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers out	-	-	-	-	-	-
Net cash (used in) noncapital financing activities	-	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of capital assets	(5,308,531)	(1,357,965)	(3,507,950)	-	(10,174,446)	-
Principal paid on capital-related debt	(370,000)	(155,165)	-	-	(525,165)	-
Interest paid on capital-related debt	22,824	(5,528)	-	-	17,296	-
Net cash (used in) capital and related financing activities	(5,655,707)	(1,518,658)	(3,507,950)	-	(10,682,315)	-
Net increase (decrease) in cash and cash equivalents	(2,445,399)	1,918,014	(145,062)	17,585	(654,862)	130,156
CASH AND CASH EQUIVALENTS:						
Beginning of year	12,618,894	11,768,600	145,062	-	24,532,556	-
End of year	\$ 10,173,495	\$ 13,686,614	\$ -	\$ 17,585	\$ 23,877,694	\$ 130,156
RECONCILIATION OF CASH AND INVESTMENTS TO STATEMENT OF NET POSITION:						
Cash and investments	\$ 9,184,789	\$ 13,686,614	\$ -	\$ 17,585	\$ 22,888,988	\$ 130,156
Cash and investments with fiscal agents	988,706	-	-	-	988,706	-
Total cash and investments	\$ 10,173,495	\$ 13,686,614	\$ -	\$ 17,585	\$ 23,877,694	\$ 130,156

City of Calexico
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2015

	Major Funds			Non-Major	Total	Internal Service Fund
	Water	Wastewater	Airport	Transit		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 2,457,421	\$ 2,061,731	\$ 2,382,017	\$ (85,929)	\$ 6,815,240	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	841,050	414,288	65,861	-	1,321,199	-
Changes in operating assets and liabilities:						
Accounts receivable	2,581,652	826,141	(2,351,696)	344,533	1,400,630	(22,958)
Other receivables	1,218	472	-	-	1,690	-
Due from other funds	(2,371,956)	(166,408)	-	-	(2,538,364)	-
Inventories and prepaid items	3,182	532	13,834	-	17,548	-
Pension contributions made after measurement date	(72,107)	(45,993)	-	-	(118,100)	-
Accounts payable	(333,274)	323,702	880,916	(33,574)	837,770	153,114
Accrued payroll	25,892	14,935	-	-	40,827	-
Deposits payable	54,516	(6,521)	-	-	47,995	-
Due to other funds	-	-	2,371,956	(207,445)	2,164,511	-
Unearned revenue	-	-	-	-	-	-
Compensated absences	(41,320)	(27,051)	-	-	(68,371)	-
Aggregate net pension liability	(393,777)	(251,166)	-	-	(644,943)	-
Actual earnings in excess of projected earnings on pension plan investments	457,811	292,010	-	-	749,821	-
Total adjustments	752,887	1,374,941	980,871	103,514	3,212,213	130,156
Net cash provided by operating activities	<u>\$ 3,210,308</u>	<u>\$ 3,436,672</u>	<u>\$ 3,362,888</u>	<u>\$ 17,585</u>	<u>\$ 10,027,453</u>	<u>\$ 130,156</u>

FIDUCIARY FUND FINANCIAL STATEMENTS

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City of Calexico
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Agency Funds	Successor Agency to the Calexico Redevelopment Agency
ASSETS		
Current assets:		
Cash and investments	\$ 1,829,230	\$ 2,513,183
Cash and investments with fiscal agents	2,504,903	11,839,494
Accounts receivable	266,245	10,929
Total current assets	\$ 4,600,378	14,363,606
Noncurrent assets:		
Capital assets:		
Nondepreciable	-	1,439,214
Depreciable, net accumulated depreciation	-	2,795,996
Total noncurrent assets	-	4,235,210
Total assets	\$ 4,600,378	18,598,816
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	-	1,116,780
Total deferred outflows of resources	-	1,116,780
LIABILITIES		
Accounts payable	\$ -	2,157
Due to bondholders	4,600,378	-
Interest payable	-	714,310
Long-term debt	-	36,171,297
Total liabilities	\$ 4,600,378	36,887,764
NET POSITION (DEFICIT)		
Held in trust for retirement of obligations of the former Community Redevelopment Agency of the City of Calexico		\$ (17,172,168)

City of Calexico
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2015

	Successor Agency to the Calexico Redevelopment Agency
ADDITIONS:	
Property taxes - Redevelopment Property Tax Trust Fund (RPTTF)	\$ 2,726,482
Investment earnings	31,296
Other revenue	373,147
Total additions	3,130,925
DEDUCTIONS:	
Administration expenses	299,416
Depreciation	74,315
Interest expense and fiscal charges	2,050,137
Total deductions	2,423,868
Change in net position	707,057
NET POSITION:	
Beginning of year, as restated (Note 18)	(17,879,225)
End of year	\$ (17,172,168)

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Calexico
Index of Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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City of Calexico
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

The basic financial statements of the City of Calexico, California (City) have been prepared in conformity with Generally Accepted Accounting Principles of the United States of America (U.S. GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards in the United States. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City was incorporated in April, 1908, under the General Laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities. It is governed by an elected five member council.

The financial reporting entity consists of the primary government, the City, and its component units. Component units are legally separate entities for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government is accountable and their exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended component units, although legally separate entities, are, in substance part of the government's operation and so data from these units are combined with data of the primary government. Discretely presents component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability. As a result, these organizations are considered component units of the City and are included within the financial statements of the City using the blended method. All component units have a June 30 year-end. The City has no discretely presented component units.

Blended Component Units

Blended component units, although legally separate entities, are, in substance part of the City's operation and so data from these units are combined with data of the City. Discretely presents component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

The City Council acts as the governing body and City's management has operation responsibility of the following organizations. As a result, these organizations are considered component units of the City and are included within the financial statements of the City using the blended method. All component units have a June 30 year-end.

Calexico Housing Authority (the "Housing Authority")

The Housing Authority was formed on January 31, 2012 to develop or acquire and subsequently operate rental housing projects within the City. The Housing Authority does not issue separate financial statements.

Discretely Presented Component Units

The City has no discretely presented component units.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Program revenues for the City are classified in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Position, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances 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. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days for all revenues.

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in-lieu, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Revenue recognition is subject to the measurable and available criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions have been recognized as revenues when all applicable eligibility requirements have been met.

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.

The City reports the following major Governmental Funds:

General Fund – This fund accounts for all revenues and expenditures to finance the traditional services associated with a municipal government which are not accounted for in the other funds.

LTA Measure D Special Revenue Fund – This fund accounts for revenues from 0.5% retail and use tax used for transportation improvements to repair and rehabilitate existing roadways, reduce congestion and improve safety, and to provide for construction of needed facilities.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government Fund Financial Statements (Continued)

Federal HOME Grant Fund – This fund is used to report the HOME Investment Partnership awarded to the City by the Federal government. A detailed report by program is available under a separate report meeting the criteria of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for all federal grants received by the City.

Measure H Capital Projects Fund – This fund accounts for the capital outlay payments relating to capital projects for transportation improvements to repair and rehabilitate existing roadways, reduce congestion and improve safety, and to provide for construction of needed facilities.

Measure D Capital Projects Fund – This fund accounts for the capital outlay payments relating to capital projects for transportation improvements to repair and rehabilitate existing roadways, reduce congestion and improve safety, and to provide for construction of needed facilities.

Proprietary Fund Financial Statements

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary funds:

Water Enterprise Fund – This fund accounts for the operation and maintenance of the City's water distribution system.

Wastewater Enterprise Fund – This fund accounts for the operation and maintenance of the City's wastewater collection system, the wastewater treatment facility, and the recycled water disposal system.

Airport Enterprise Funds - This fund accounts for the operation and maintenance of the City's airport.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds represent agency funds and private purpose trust funds. Both agency funds and the private purpose trust funds are accounted for on the full accrual basis of accounting.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Fiduciary Fund Financial Statements (Continued)

Fiduciary fund types are accounted for according to the nature of the fund. The City's agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. These funds are used to account for money and property held by the City as trustee or custodian. The City established Agency Funds and used to account for money and property held by the City as trustee or custodian.

The City's private purpose trust fund is a fiduciary fund type used by the City to report assets, liabilities and activities of the Successor Agency to the Redevelopment Agency for the City of Calexico. Its results of operations are presented on the Statement of Changes of Fiduciary Net Position.

Successor Agency of the Redevelopment Agency for the City of Calexico

The Redevelopment Obligation Retirement Fund (Successor Agency) was created to serve as a custodian for the assets and to wind down the affairs of the Redevelopment Agency (RDA) on February 1, 2012, pursuant to Assembly Bill x1 26. Its purpose is to expeditiously wind down the affairs of the dissolved RDA. The Successor Agency is a separate public entity from the City, subject to the direction of an oversight board. The City Council serves as the governing board of the Successor Agency. In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former RDA until all enforceable obligations of the former RDA have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency has been included in the accompanying basic financial statements as a private purpose trust fund.

C. Deferred Outflows and Inflows of Resources

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City only has two items that qualify for reporting in this category. They are the employer's pension contribution made after measurement and the employer's actual contribution in excess of the employer's proportionate share of contributions. See more information relating to these items in Note 9 – Public Employee Retirement System.

Deferred Inflows of Resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City only has two items that qualify for reporting in this category. They are the actual earnings in excess of projected earnings on pension plan investments and differences in proportions. See more information relating to these items in Note 9 – Public Employee Retirement System.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

D. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

Investments are reported in the accompanying financial statements at fair value, except for certain investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year, and may result in negative investment income in the accompanying financial statements. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance, except for investment income associated with funds not legally required to receive pooled investment income which has been assigned to and recorded as revenue of the general fund, as provided by California Government Code Section 53647.

For purposes of the statement of cash flows, amounts reported as cash and cash equivalents, include amounts on deposit in the City pool and any short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

E. Restricted Cash and Investments

Certain restricted cash and investments are held by a fiscal agent for the redemption of bonded debt and for acquisition and construction of capital projects.

F. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds” (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Governmental-Wide Financial Statements as “internal balances.”

G. Inventories and Prepaid items

Inventories within the proprietary fund types consist of materials and supplies which are valued at cost on a first-in, first-out basis. Prepaid items are items the City has paid in advance and will receive future benefit from.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

H. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$10,000. Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated.

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings and improvements	25-50 years
Machinery and Equipment	5-20 years
Licensed vehicles	8 years
Infrastructure	15-65 years

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, and park lands. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

For all infrastructure systems, the City elected to use the Basic Approach for infrastructure reporting.

Major outlays, in excess of \$50,000, for capital assets and improvements are capitalized as projects are constructed. Interest on construction-related debt incurred during the period of construction for business-type and proprietary funds is capitalized as a cost of the constructed assets. Capital assets acquired under capital leases are capitalized at the net present value of the total lease payments.

For all infrastructure systems, the City estimated the original historical cost, defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition for all property in existence when the City first reported infrastructure assets. The City estimated the original historical cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Estimated original historical costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the estimated original historical cost.

Capital Assets Acquired Under Lease Purchase Contracts

The long-term principal portion of debt on non-proprietary capital assets acquired through lease purchase contracts is accounted for in the government-wide financial statements as “long-term debt – due in more than one year.” A capital asset is recorded at the net present value of the total lease payments in the government-wide financial statements.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

I. Pensions Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

J. Compensated Absences

It is the City's policy to accrue annual leave when incurred in the government-wide financial statements and both proprietary and fiduciary funds. In governmental funds, the costs for annual leave that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it.

A liability is recorded for unused sick leave and unpaid vacation balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination benefits, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. The amounts accrued for financial statement purposes represent 100 percent of the vacation pay liability at June 30, 2015. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefit that is estimated will be paid at retirement.

K. Unearned Revenue

Unearned revenue recorded in the Government-Wide Statement of Net Position for governmental activities and the governmental fund financial statements consist of federal and state capital grants, representing voluntary nonexchange transactions, for which advance payments have been received from the provider for which eligibility requirements, other than timing requirements, have not been satisfied.

Unearned revenue recorded in the Government-Wide Statement of Net Position for business-type activities and the proprietary fund financial statements generally consist of program fees collected from customers prior to the statement of net position date for recreation programs that begin in the next fiscal year or donations for capital or work projects, for which the related expenses have not yet been incurred.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

L. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other Long-Term Debt are reported as liabilities in the appropriate activities.

Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable premium or discount.

Fund Financial Statements

The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

M. Net Position

For government-wide and proprietary fund financial statements, net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

N. Fund Balances

For governmental fund financial statements, fund balances are categorized as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories and long term receivables, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations imposed by the formal action of the government's highest level of decision making authority normally through resolutions, etc., and that remain binding unless rescinded or modified in the same manner. The City Council is considered the highest authority for the City.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government’s intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. On June 29, 2011, the City Council adopted Resolution 2011-77 adopting the fund balance policy authorizing the Finance Director; with concurrence of the City Manager and City Council, to make the determination.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories.

O. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

When an expense is incurred for purposes for which both restricted and unrestricted Net Position are available, the City’s policy is to apply restricted Net Position first.

Governmental Fund Financial Statements

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

P. Property Taxes

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period.

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The County of Imperial bills and collects the property taxes and remits them to the City at various times throughout the year. Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are due in two installments. The first installment is due on November 1, and is payable through December 10 without penalty. The second installment is due February 1, and is payable through April 10 without penalty.

Q. Use of Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions, in some cases when applicable, that affect the amounts in the financial statements and the accompanying notes. Actual results could differ from the estimates.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

R. Implementation of New GASB Pronouncements for the Year Ended June 30, 2015

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2015. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

GASB Statement No. 68

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement became effective for periods beginning after June 15, 2014. See Note 18 for prior period adjustment as a result of implementation.

GASB Statement No. 69

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the City's financial statements for year ended June 30, 2015.

GASB Statement No. 71

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement establishes standards relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement became effective for periods beginning after June 15, 2014. See Note 18 for prior period adjustment as a result of implementation.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments

Cash and investments are presented in the accompanying financial statements at June 30, 2015 as follows:

	Government-Wide Statement of Net Assets			Fiduciary Funds Statement of Net Assets	
	Governmental Activities	Business-Type Activities	Total	Net Assets	Total
Cash and investments	\$ 17,804,741	\$ 22,888,988	\$ 40,693,729	\$ 4,342,413	\$ 45,036,142
Cash and investments with fiscal agents	21,803,333	988,706	22,792,039	14,344,397	37,136,436
Total	\$ 39,608,074	\$ 23,877,694	\$ 63,485,768	\$ 18,686,810	\$ 82,172,578

Cash and investments consisted of the following at June 30, 2015:

Cash:	
Petty Cash	\$ 6,131
Demand Deposits	32,999,129
Total cash and cash equivalents	<u>33,005,260</u>
Investments:	
Federal Agency Securities	13,041,367
Local Area Investment Fund (LAIF)	873
Money Market Funds	36,125,078
Total investments	<u>49,167,318</u>
Total cash and investments	\$ <u>82,172,578</u>

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested by the City Treasurer to enhance earnings. The pooled interest earned is allocated to the funds based on average month-end cash balances of the various funds.

A. Demand deposits

The carrying amounts of the City’s cash deposits were \$32,999,129 at June 30, 2015. Bank balances at June 30, 2015, were \$33,278,056. The total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City’s name is discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City’s name.

The market value of pledged securities must equal at least 110% of the City’s cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

B. 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>
Certificates of Deposit	1 year	Unlimited	None
State of California Local Agency Investment Fund	N/A	N/A	\$40,000,000
Savings Accounts	Unlimited	Unlimited	None
U.S. Treasury Obligations	3 years	Unlimited	None
U.S. Government Agency Issues	3 years	Unlimited	None
Repurchase Agreements	3 years	Unlimited	None

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

C. 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 the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Certificates of Deposit	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Municipal Obligations, Prime Quality	None	None	None
Banker’s Acceptances, Prime Quality	360 days	None	None
Commercial Paper, Prime Quality	270 days	None	None
Money Market Funds, Prime Quality	N/A	None	None
Investment Contracts	None	None	None
Repurchase Agreements, Approve by Bond Issuer	None	None	None

D. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest 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 flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City’s investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City’s investments by maturity. For purposes of the schedule shown below, any callable securities are assumed to be held to maturity.

<u>Investment Type</u>	<u>Totals</u>	<u>1 Year or Less</u>
Federal Agency Securities	\$ 13,041,367	\$ 13,041,367
Local Agency Investment Fund	873	873
Held by Bond Trustees:		
Money Market Funds	36,125,078	36,125,078
Totals	<u>\$ 49,167,318</u>	<u>\$ 49,167,318</u>

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

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. However, some issuers do not seek a credit rating. For instance, the California Local Agency Investment Fund (LAIF) has not sought or received a credit rating. In these cases, the purchaser is solely responsible for performing their own due diligence before purchasing an investment or participating in an external investment pool. Certificates of deposit of \$250,000 or less are fully insured by the Federal Deposit Insurance Corporation (FDIC), and therefore, do not seek a credit rating.

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 year-end for each investment type.

<u>Investment Type</u>	<u>Totals</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Fiscal Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Federal Agency Securities	\$ 13,041,367	N/A	\$ 13,041,367	\$ -
Local Agency Investment Fund	873	N/A	-	873
Held by Bond Trustees:				
Money Market Funds	36,125,078	N/A	-	36,125,078
Totals	\$ 49,167,318		\$ 13,041,367	\$ 36,125,951

Disclosures Relating to 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 market 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. At June 30, 2015, the City's deposits (bank balances) were collateralized under California Law. All securities, with the exception of LAIF and other pooled investments, are held by a third-party custodian (BNY Western Trust). BNY is a registered member of the Federal Reserve Bank.

Disclosure Relating to 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 in the Gov't Code. GASB Statement No. 40 requires disclosure by amount and issuer, of investments in any one issuer that represent 5% or more of total investments. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of the City's total investments are as follows:

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Disclosure Relating to Concentration of Credit Risk (Continued)

<u>Investments</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
Federal Agency Securities	13,041,367	26.52%
Money Market Funds	36,125,078	73.47%
Total	<u>\$ 49,167,318</u>	<u>100.00%</u>

E. Investment in State Investment Pool

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2015 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2015, the City had \$873 invested in LAIF, which had invested 0.97% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2015, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. The fair value of the City's position in the pool is the same value of the pool shares. The credit quality rating of LAIF is unrated as of June 30, 2015.

Note 3 – Notes and Loans Receivable

A. Government-Wide Financial Statements

Under the economic resources focus, long-term notes and loans receivable and the related interest receivable are reported. However, the long-term notes and related interest receivable have been fully reserved as allowance on the Government-Wide Statement of Net Position due to the nature of the Government Housing Programs.

B. Fund Financial Statements

Long-term notes and loans receivable were not a *current available resource*. Therefore, in the Fund Financial Statements, allowance for doubtful accounts reported in the Governmental Funds Balance Sheet was netted against the notes receivable and the related interest receivable.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 3 – Notes and Loans Receivable (Continued)

B. Fund Financial Statements (Continued)

At June 30, 2015, notes and loans receivable consisted of the following:

	Notes/Loans Receivable Balance			Notes/Loans Receivable Balance		Allowance for Doubtful Accounts Balance	Financial Statement Balance
	June 30, 2014	Additions	Deletions	June 30, 2015	June 30, 2015	June 30, 2015	
Calexico Community Action Council	\$ 306,377	\$ -	\$ -	\$ 306,377	\$ (306,377)	\$ -	
De Anza Limited Partnership #1	422,977	-	-	422,977	(422,977)	-	
De Anza Limited Partnership #3	5,000,000	-	-	5,000,000	(5,000,000)	-	
De Anza Renovation	759,332	-	-	759,332	(759,332)	-	
Victoria Manor Senior Apartments	200,000	-	-	200,000	(200,000)	-	
CFA, Limited Partnership	400,000	-	-	400,000	(400,000)	-	
Calexico II, LP	3,400,000	-	-	3,400,000	(3,400,000)	-	
HPD Villa Del Este, LP	1,363,887	-	-	1,363,887	(1,363,887)	-	
Villa Primavera Family Apartments Loan	-	4,280,307	-	4,280,307	(4,280,307)	-	
Other Housing Loans	10,817,162	-	(3,660)	10,813,502	(10,813,502)	-	
Total notes and loans receivable	\$ 22,669,735	\$ 4,280,307	\$ (3,660)	\$ 26,946,382	\$ (26,946,382)	\$ -	

Calexico Community Action Council

On September 11, 1996, the City issued a promissory note to Calexico Community Action Council to supersede a prior note for development of the Alejandro Rivera Senior Citizens Apartments II. The note bears an interest rate of 6.5% per annum. Annual payments are based on an estimated amount of the profit and shall be due and payable on December 31 of each year until the entire principal amount is paid off. At June 30, 2014, the outstanding balance was \$306,377.

De Anza Limited Partnership #1

In 1997, the City loaned De Anza Limited Partnership the amount of \$422,977 for the De Anza Hotel construction project. The note is secured by property. The note bears interest at a rate of 3% per annum and is due on the 16th anniversary of the date the project was placed in service. At June 30, 2014, the outstanding balance of the note was \$422,977.

De Anza Limited Partnership #3

On February 12, 2012, the City loaned De Anza Limited Partnership \$5,000,000 for the construction of a 54-unit apartment complex, subject to the completion of the project. The note is secured by a first assignment of leases and rents, and a deed of trust. The note bears an interest rate of 3% per annum and is due and payable in full in 55 years from the completion of the project. The City received the notice of project completion on December 12, 2012. At June 30, 2014, the outstanding balance of the note was \$5,000,000.

De Anza Renovation

On September 21, 2010, the City authorized the De Anza Limited Partnership to borrow up to \$760,000 for the De Anza Hotel earthquake rehabilitation and repair project. Borrowings are secured by a first assignment of leases and rents, and a deed of trust. Borrowings bear an interest rate of 3% per annum and are payable from residual receipts in the amount of 40% of the residual receipts and in no event less than \$1,000 per year beginning March 30, 2011. At June 30, 2014, the outstanding balance of the note was \$759,332.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 3 – Notes and Loans Receivable (Continued)

B. Fund Financial Statements (Continued)

Victoria Manor Senior Apartments

On October 19, 2010, the City loaned the Housing Authority of the City of Calexico (“Authority”) \$200,000 in order for the Authority to purchase certain real property. The note is secured by a deed of trust on the property. The note bears an interest rate of 6.25% per annum and is due at the earlier of the commencement of the term for the option agreement included with the note or nine years from the execution of the note. At June 30, 2014, the outstanding balance of the note was \$200,000.

CFA, Limited Partnership

On October 21, 2002, the City loaned CFA Limited Partnership \$400,000 for affordable housing projects. This note is secured by a deed of trust. The note bears interest at 6% per annum. Principal and accrued interest shall be repaid beginning on April 15, 2004 and each April 15 thereafter until repaid in full. All outstanding principal and accrued interest shall be due in full on the earlier of the eighteenth anniversary of the date of this note or the sale or other transfer of the property. At June 30, 2014, the outstanding balance of the note was \$400,000.

Calexico II, LP

On November 1, 2006, the Agency loaned Calexico II, LP \$3,400,000 for affordable housing projects. The note bears interest at 3% and is payable annually within 90 days following the end of each calendar year, contingent upon the LP realizing a profit. At June 30, 2014, the outstanding balance of the note was \$3,400,000.

HPD Villa Del Este, LP

On June 30, 2008, the Agency loaned HPD Villa Del Este, LP \$1,363,887 for affordable housing projects. The note is secured by a deed of trust. The note bears interest at 3% per annum. Principal and accrued interest shall be repaid beginning January 1, 2018, for each preceding calendar year in which there was a cash flow balance, and continuing annually on the first day of each and every year thereafter for the remainder of the term in which there is a cash flow balance. At June 30, 2014, the outstanding balance of the note was \$1,363,887.

Villa Primavera, LLP

On November 4th, 2014, the City loaned Villa Primavera CIC, LP an amount not to exceed \$4,500,000 for an affordable housing project for low income and senior citizens. The note is secured by a deed of trust. This promissory note bears interest at a rate of 3% per annum with a term of 55 years. Principal and accrued interest shall be repaid beginning from the date of Project Completion as defined by 24CFT 92.2, wherein the project must meet the affordability requirements contained herein. At June 30th 2015, the outstanding balance of the note was \$4,280,307.

Other Housing Loans

The City and Agency have established various loan programs which assist residents of the City in purchasing and/or rehabilitating their homes. These loans are in the form of fully amortized or deferred loans. The deferred loans are usually due upon sale of property. At June 30, 2014, the outstanding balance of the loans was \$10,813,502.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 4 – Interfund Transactions

A. Due To and Due From Other Funds

As of June 30, 2015, Due To/From Other Funds was as follows:

Due To Other Funds							
Due From Other Funds	Federal HOME Grant Fund	Federal HOME Grant Fund	Measure H Capital Projects Fund	Measure D Capital Projects Fund	Nonmajor Governmental Funds	Airport Fund	Total
LTA Measure D Special Revenue	\$ -	\$ -	\$ 727,805	\$ 274,339	\$ 1,512,839	\$ -	\$ 2,514,983
Nonmajor Governmental Funds	-	231,875	-	-	1,933,958	-	2,165,833
Water Fund	-	-	-	-	-	2,371,956	2,371,956
Wastewater Fund	166,408	-	-	-	-	-	166,408
Total	\$ 166,408	\$ 231,875	\$ 727,805	\$ 274,339	\$ 3,446,797	\$ 2,371,956	\$ 7,219,180

Current interfund balances arise in the normal course of business and to assist funds with negative cash balances at the end of the fiscal year. They are expected to be repaid shortly after the end of the fiscal year.

B. Transfers In/Out

For the year ended June 30, 2015, interfund transfers were as follows:

Transfers In					
Transfers Out	General Fund	Measure H Capital Projects Fund	Measure D Capital Projects Fund	Non-major Governmental Funds	Total
General Fund	\$ -	\$ -	\$ -	\$ 1,103,219	\$ 1,103,219
Measure D Special Revenue Fund	-	-	-	141,325	141,325
Measure H Capital Projects Fund	391,188	-	-	-	391,188
Non-major Governmental Funds	-	10,863,096	11,105,872	-	21,968,968
Total	\$ 391,188	\$ 10,863,096	\$ 11,105,872	\$ 1,244,544	\$ 23,604,700

General Fund – The General Fund received a transfer in from the Measure H Capital Projects Fund to support capital expenditures financed from bond proceeds. The General Fund transferred out \$998,077 to Measure H Debt Service Fund to finance the annual debt service on the Measure H bonds, and also transferred out \$105,038 of donations revenue to the Community Donations Special Revenue Fund.

Measure H Capital Projects Fund and Measure D Capital Projects Fund – Transfers were made from the non-major debt service funds to contribute bond proceeds to the Measure H Capital Projects Fund and Measure D Capital Projects Fund in the amount of \$10,863,096 and \$11,105,872, respectively.

Measure D Special Revenue Fund – Transfers were made between the Measure D Special Revenue Fund to the non-major debt service fund to pay debt service.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 5 – Capital Assets

A. Governmental Activities

The following is a summary of changes in capital assets for the governmental activities:

	Balance July 1, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
Non-depreciable Assets:					
Land	\$ 5,394,203	\$ -	\$ -	\$ -	\$ 5,394,203
Construction in progress	2,985,692	3,228,738	-	(631,152)	5,583,278
Total non-depreciable assets	<u>8,379,895</u>	<u>3,228,738</u>	<u>-</u>	<u>(631,152)</u>	<u>10,977,481</u>
Depreciable Assets:					
Building and improvements	20,642,886	199,705	(96,527)	-	20,746,064
Machinery and equipment	7,936,685	1,625,331	(294,759)	-	9,267,257
Infrastructure	94,596,436	1,123,210	-	631,152	96,350,798
Total depreciable assets, at cost	<u>123,176,007</u>	<u>2,948,246</u>	<u>(391,286)</u>	<u>631,152</u>	<u>126,364,119</u>
Less accumulated depreciation:					
Building and improvements	(8,994,404)	(446,865)	66,741	-	(9,374,528)
Machinery and equipment	(4,908,120)	(656,530)	277,917	-	(5,286,733)
Infrastructure	(65,009,674)	(2,350,630)	-	-	(67,360,304)
Total accumulated depreciation	<u>(78,912,198)</u>	<u>(3,454,025)</u>	<u>344,658</u>	<u>-</u>	<u>(82,021,565)</u>
Total depreciable assets, net	<u>44,263,809</u>	<u>(505,779)</u>	<u>(46,628)</u>	<u>631,152</u>	<u>44,342,554</u>
Total governmental activities	<u>\$ 52,643,704</u>	<u>\$ 2,722,959</u>	<u>\$ (46,628)</u>	<u>\$ -</u>	<u>\$ 55,320,035</u>

Depreciation expense for capital assets of the governmental activities for the year ended June 30, 2015 was \$3,454,025 and was not allocated to any function or program.

B. Business-Type Activities

The following is a summary of changes in capital assets for business-type activities:

	Balance July 1, 2014	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2015
Non-depreciable Assets:					
Land	\$ 210,000	\$ -	\$ -	\$ -	\$ 210,000
Construction in progress	7,712,266	7,376,513	(742,504)	(5,546,700)	8,799,575
Total non-depreciable assets	<u>7,922,266</u>	<u>7,376,513</u>	<u>(742,504)</u>	<u>(5,546,700)</u>	<u>9,009,575</u>
Depreciable Assets:					
Building and improvements	38,109,769	1,500,580	(7,772,588)	5,179,436	37,017,197
Machinery and equipment	8,412,692	1,297,353	(468,348)	-	9,241,697
Infrastructure	17,187,360	-	-	367,264	17,554,624
Total depreciable assets, at cost	<u>63,709,821</u>	<u>2,797,933</u>	<u>(8,240,936)</u>	<u>5,546,700</u>	<u>63,813,518</u>
Less accumulated depreciation:					
Building and improvements	(19,721,356)	(657,931)	6,779,394	80,523	(13,519,370)
Machinery and equipment	(4,460,161)	(360,740)	327,130	-	(4,493,771)
Infrastructure	(5,215,392)	(302,528)	-	(80,523)	(5,598,443)
Total accumulated depreciation	<u>(29,396,909)</u>	<u>(1,321,199)</u>	<u>7,106,524</u>	<u>-</u>	<u>(23,611,584)</u>
Total depreciable assets, net	<u>34,312,912</u>	<u>1,476,734</u>	<u>(1,134,412)</u>	<u>5,546,700</u>	<u>40,201,934</u>
Total business-type activities	<u>\$ 42,235,178</u>	<u>\$ 8,853,247</u>	<u>\$ (1,876,916)</u>	<u>\$ -</u>	<u>\$ 49,211,509</u>

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 5 – Capital Assets (Continued)

B. Business-Type Activities (Continued)

Depreciation expense for capital assets of the business-type activities for the year ended June 30, 2015 was as follows:

Water	\$	841,050
Wastewater		414,288
Airport		<u>65,861</u>
Total depreciation expense	\$	<u><u>1,321,199</u></u>

C. Fiduciary Funds

The following is a summary of changes in capital assets for the Fiduciary Funds.

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Non-depreciable Assets:				
Land	\$ 1,439,214	\$ -	\$ -	\$ 1,439,214
Total non-depreciable assets	<u>1,439,214</u>	<u>-</u>	<u>-</u>	<u>1,439,214</u>
Depreciable Assets:				
Building and improvements	3,747,247	-	-	3,747,247
Machinery and equipment	38,665	-	-	38,665
Total depreciable assets, at cost	<u>3,785,912</u>	<u>-</u>	<u>-</u>	<u>3,785,912</u>
Less accumulated depreciation:				
Building and improvements	(878,462)	(73,704)	-	(952,166)
Machinery and equipment	(37,139)	(611)	-	(37,750)
Total accumulated depreciation	<u>(915,601)</u>	<u>(74,315)</u>	<u>-</u>	<u>(989,916)</u>
Total depreciable assets, net	<u>2,870,311</u>	<u>(74,315)</u>	<u>-</u>	<u>2,795,996</u>
Total business-type activities	<u><u>\$ 4,309,525</u></u>	<u><u>\$ (74,315)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,235,210</u></u>

Depreciation expense for capital assets of the fiduciary funds for the year ended June 30, 2015 was \$74,315.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Debt

The following is a summary of changes in Long-Term Debt for the year ended June 30, 2015:

	Balance June 30, 2014	Debt Issued	Debt Retired	Balance June 30, 2015	Classification	
					Due in One Year	Due in more than One Year
Governmental Activities:						
Long-Term Debt:						
LTA Sales Tax Revenue Bonds	\$ 14,360,000	\$ -	\$ (575,000)	\$ 13,785,000	\$ 590,000	\$ 13,195,000
Bond Premium	68,420	-	(8,552)	59,868	-	59,868
Measure H Lease Revenue Bonds	11,200,000	-	(615,000)	10,585,000	525,000	10,060,000
Bond Premium	909,940	-	(60,663)	849,277	-	849,277
Tax Sharing Agreement	46,000	-	-	46,000	-	46,000
Loan Payable - Wal-Mart	1,466,722	-	-	1,466,722	-	1,466,722
Capital Lease Obligations	589,397	-	(195,688)	393,709	204,862	188,847
Total long-term debt	28,640,479	-	(1,454,903)	27,185,576	1,319,862	25,865,714
Total governmental activities	\$ 28,640,479	\$ -	\$ (1,454,903)	\$ 27,185,576	\$ 1,319,862	\$ 25,865,714

	Balance June 30, 2014	Debt Issued	Debt Retired	Balance June 30, 2015	Classification	
					Due in One Year	Due in more than One Year
Business-Type Activities:						
Long-Term Debt:						
Lease Revenue Bonds	\$ 14,030,000	\$ -	\$ (370,000)	\$ 13,660,000	\$ 385,000	\$ 13,275,000
State Revolving Fund Loan	487,969	-	(155,165)	332,804	162,536	170,268
Total long-term debt	14,517,969	-	(525,165)	13,992,804	547,536	13,445,268
Total business-type activities	\$ 14,517,969	\$ -	\$ (525,165)	\$ 13,992,804	\$ 547,536	\$ 13,445,268
Fiduciary Funds:						
Long-Term Debt:						
Tax Allocation Bonds	\$ 37,671,997	\$ 17,194,081	\$ (18,694,781)	\$ 36,171,297	\$ 1,345,000	\$ 34,826,297
Total Fiduciary Funds	\$ 37,671,997	\$ 17,194,081	\$ (18,694,781)	\$ 36,171,297	\$ 1,345,000	\$ 34,826,297

A. Governmental Activities Long-Term Debt

LTA Sales Tax Revenue Bonds

On May 1, 2012, the Imperial County Local Transportation Authority issued the 2012 LTA Sales Tax Revenue Bonds on behalf of the City in the amount of \$15,410,000. The Bonds are being issued to (i) finance certain costs associated with certain transportation projects, (ii) fund a reserve for the Bonds, and (iii) pay certain costs of issuing the Bonds. The Bonds are payable from and secured by the pledged allocable Measure D sales tax revenues of the City.

The issue consists of serial bonds in the amount \$15,410,000 payable annually on June 1 of each year, commencing on June 1, 2013 and maturing in 2032 with interest rates ranging from 3% to 4% per annum. Interest payments are due on June 1 and December 1 of each year until the bonds are paid off. At June 30, 2015, the outstanding balance of the bonds was \$13,785,000. Total principal and interest remaining on the bond is \$19,481,650, payable through 2032.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities Long-Term Debt (Continued)

The annual requirements to amortize the bonds outstanding at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 590,000	\$ 546,975	\$ 1,136,975
2017	615,000	526,550	1,141,550
2018	635,000	505,525	1,140,525
2019	660,000	483,600	1,143,600
2020	685,000	457,700	1,142,700
2021-2025	3,820,000	1,897,000	5,717,000
2026-2030	4,650,000	1,088,000	5,738,000
2031-2032	2,130,000	191,300	2,321,300
Total	\$ 13,785,000	\$ 5,696,650	\$ 19,481,650

Measure H Lease Revenue Bonds

On April 1, 2014, Calexico Financing Authority (the “Authority”) issued its Measure “H” Sales Tax/Lease Revenue Bonds, Issue of 2014 (the “Bonds”) pursuant to a Trust Agreement, dated as of June 1, 2014 (the “Trust Agreement”), by and among the City of Calexico (the “City”), the Authority and U.S. Bank National Association, as trustee (the “Trustee”). Proceeds of the Bonds are being used to (i) finance a portion of the costs of a new fire station headquarters and various park and recreation improvements; (ii) fund a deposit to the Reserve Account in an amount equal to the Reserve Requirement; and (iii) pay costs of issuance of the Bonds. The Bonds are payable solely from, and secured by, the Trust Estate and certain funds and accounts held under the Trust Agreement.

The issue consisted of serial bonds in the amount \$11,200,000 payable annually on June 1 of each year, commencing on April 1, 2013 and maturing in 2030 with interest rates ranging from 3% to 4% per annum. Interest payments are due on April 1 and October 1 of each year until the bonds are paid off. At June 30, 2015, the outstanding balance of the bonds was \$10,585,000. Total principal and interest remaining on the bond is \$14,714,900, payable through 2030.

The annual requirements to amortize the bonds outstanding at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 525,000	\$ 470,100	\$ 995,100
2017	545,000	442,100	987,100
2018	565,000	419,900	984,900
2019	585,000	396,900	981,900
2020	610,000	373,000	983,000
2021-2025	3,440,000	1,467,275	4,907,275
2026-2030	4,315,000	560,625	4,875,625
Total	\$ 10,585,000	\$ 4,129,900	\$ 14,714,900

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities Long-Term Debt (Continued)

Tax Sharing Agreement – Imperial County

In June 2003, the City entered into an agreement with LAFCO in order to offset the “negative fiscal impacts,” as determined by LAFCO, to the County as a result of the approval of the Calexico Annexation No. CX 3-01. The City agreed to pay the County \$291,000 interest free, payable solely from the property tax revenues upon annexation of the area. At June 30, 2015, the outstanding balance was \$46,000.

On September 24, 1992, the City entered into a development agreement with Wal-Mart Stores, Inc. (Wal-Mart). Wal-Mart paid all direct and indirect costs of the public improvements. The total cost of these improvements was \$2,515,714. In accordance with the agreement, the City will reimburse Wal-Mart for the construction of the improvements. At June 30, 2015, the outstanding liability was \$1,466,722. However, the City is currently in litigation with Wal-Mart and has frozen all payments to Wal-Mart.

Loan Payable – Wal-Mart Stores, Inc.

Interest is accrued on the unpaid balance of the reimbursement at the rate of 5% per annum, from the date that the City or its agent receives its first quarterly reimbursement payment from the State of California with regard to sales at or from the Wal-Mart property. The City will pay the reimbursement to Wal-Mart in quarterly installments beginning 3 days after the City or its agent receives its first quarterly reconciliation payment and continuing for each quarter thereafter, until the reimbursement and all accrued interest on the reimbursement have been paid in full. The amount of each quarterly payment to Wal-Mart will equal 50% of the sales tax revenue that the City receives with regard to the applicable quarter based on sales at or from the Wal-Mart Property.

Sales tax revenue from the project, which is based on sales at or from the Wal-Mart property, will be deemed to include sales which occur on the Wal-Mart property and sales that occur elsewhere, if they are initiated on the Wal-Mart property and if the sites of the sale are in the City’s municipal limits. In addition, sales tax revenue will be deemed to include only those funds that are available to the City’s general fund and will not include payments to the City that are required by the laws of the State of California or the ordinances of the County, to be expended on specific purposes other than the reimbursement. If the Sales and Use Tax is repealed or modified and if the City’s part of the sales tax revenue that is based on sales at or from the Wal-Mart property is totally or partially replaced with another source of revenue, then the City’s obligation to pay the reimbursement will continue and the limitations on the City’s obligation to pay the reimbursement will be deemed modified and will thereafter be based on any form of tax or revenue which the City receives with regard to the applicable quarter, in total or partial replacement of sales or use tax revenue. In addition, in the event of any such change, the parties will fully cooperate with one another in amending the agreement, as it is necessary or appropriate to facilitate the timely and full payment of the reimbursement.

At Wal-Mart’s request, the City will make, execute and deliver to Wal-Mart its negotiable promissory note evidencing its obligation to pay the reimbursement. By making, executing, and delivering to Wal-Mart its promissory note, based on the opinion of City counsel, the City will not be deemed to waive any rights it has as provided in the agreement.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities Long-Term Debt (Continued)

Capital Lease Obligations

The City entered into various capital lease agreements to finance office equipment and police vehicles. The leases have been classified as capital lease obligations. The gross amount of assets acquired under capital leases is \$1,368,576. The debt requirements due under the terms of all the leases are as follows:

Fiscal Years Ending June 30,	Amount
2016	\$ 204,862
2017	204,862
Total Minimum Lease Payments	409,724
Less Amount Representing Interest	(16,015)
Present Value of Minimum Lease Payments	<u>\$ 393,709</u>

B. Business-Type Activities Long-Term Debt

Lease Revenue Bonds - 2007

On January 1, 2007, the City, through the Agency issued \$14,030,000 in Water System Lease Revenue Bonds of 2007. Proceeds from the sale of the bonds were used to provide funds to finance certain capital improvements to the City's water system, fund a reserve account for the bonds, fund capitalized interest, and pay certain costs of issuance of the bonds. The bonds will be payable solely from certain lease payments to be made by the City to the Agency pursuant to a lease agreement by and between the City and the Agency. The lease payments are special limited obligations of the City payable solely from and secured by a pledge of and first lien on water revenues. The total outstanding principal balance on the bonds as of June 30, 2014 was \$13,660,000.

The City has pledged a portion of future lease revenues from the Agency to repay the 2007 Lease Revenue Bonds. Annual principal and interest payments on the notes are expected to require 100% of future lease revenues. Total principal and interest remaining on the bond is \$21,398,012, payable through 2037.

The annual debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 385,000	\$ 594,046	\$ 979,046
2017	400,000	579,620	979,620
2018	415,000	564,335	979,335
2019	430,000	548,065	978,065
2020	445,000	530,780	975,780
2021-2025	2,540,000	2,336,412	4,876,412
2026-2030	3,210,000	1,647,734	4,857,734
2031-2035	3,985,000	855,202	4,840,202
2036-2037	1,850,000	81,818	1,931,818
Total	<u>\$ 13,660,000</u>	<u>\$ 7,738,012</u>	<u>\$ 21,398,012</u>

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Debt (Continued)

B. Business-Type Activities Long-Term Debt (Continued)

State Revolving Fund (SRF) Loan

The City received loans through the State of California Environmental Protection Agency, Water Resources Control Board, Division of Clean Water Programs, for the expansion of the current secondary treatment capacity of the wastewater treatment facilities from a total of 2.7 million gallons-per-day (mgd) to a total of 4.3 mgd. The Division of Clean Water Programs established the State Revolving Fund budget and construction grant amount at \$4,589,609, the maximum loan amount. The City subsequently applied for refinancing of the loan to a zero-interest, 20 year, revolving loan requiring a 16 2/3% matching share, which was approved.

The principal balance outstanding as of June 30, 2015, was \$332,803 after discounting the loan at the City's borrowing rate of 4.75%. The first annual payment was due and paid on October 3, 1997 and the final maturity date is October 3, 2016.

Year Ending June 30,	Principal	Interest	Total
2016	\$ 162,536	\$ 15,808	\$ 178,344
2017	170,268	8,077	178,345
Total	\$ 332,804	\$ 23,885	\$ 356,689

C. Fiduciary Funds Long-Term Debt

Tax Allocation Refunding Bonds

	Balance June 30, 2014	Debt Issued	Debt Retired	Balance June 30, 2015	Classification	
					Due in One Year	Due in more than One Year
Tax Allocation Bonds - 2000	\$ 665,000	\$ -	\$ (25,000)	\$ 640,000	\$ 25,000	\$ 615,000
Tax Allocation Bonds - 2003A	12,205,000	-	(12,205,000)	-	-	-
Tax Allocation Bonds - 2003C	6,310,000	-	(6,310,000)	-	-	-
Tax Allocation Refunding Bonds - 2006	9,750,000	-	(45,000)	9,705,000	45,000	9,660,000
Tax Allocation Bonds - 2011	7,120,000	-	-	7,120,000	-	7,120,000
Bond Discount	(34,077)	-	1,794	(32,283)	-	(32,283)
Tax Allocation Bonds - 2011 School District	1,815,000	-	-	1,815,000	-	1,815,000
Bond Discount	(158,926)	-	8,364	(150,562)	-	(150,562)
2014 Tax Allocation Refunding Bonds	-	15,395,000	-	15,395,000	1,275,000	14,120,000
Bond Discount	-	1,799,081	(119,939)	1,679,142	-	1,679,142
Total Tax Allocation Bonds	\$ 37,671,997	\$ 17,194,081	\$ (18,694,781)	\$ 36,171,297	\$ 1,345,000	\$ 34,826,297

2000 Tax Allocation Bonds

On December 10, 2000, the City issued the 2000 Tax Allocation Bonds in the amount of \$10,000,000. The proceeds from the issue were used to pay the issuance costs, fund a reserve account, and finance various projects within the Agency's Merged Central Business District and Residential Redevelopment Project Area. The bonds are secured by a pledge of and lien on tax increment revenues.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds Long-Term Debt (Continued)

Interest payments are payable on August 1 and February 1 of each year, commencing on August 1, 2001. The bonds consist of \$150,000 of serial bonds due August 1, 2001, at an interest rate of 3.85% and \$9,850,000 of term bonds with principal maturing on August 1 beginning 2002 and ending in 2030. Interest rates on the term bonds vary from 4.25% to 5.50% per annum. Annual debt service principal requirements range from \$10,000 to \$1,780,000. During the year, principal payments of \$15,000 were made. The outstanding balance of the bonds in the amount of \$680,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2015, the outstanding balance of the bonds was \$640,000. The total principal and interest remaining to be paid on the bond is \$927,155, payable through 2026.

The annual debt service requirements for the 2000 Tax Allocation Bonds at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 25,000	\$ 33,625	\$ 58,625
2017	25,000	32,350	57,350
2018	25,000	31,040	56,040
2019	25,000	29,697	54,697
2020	25,000	28,354	53,354
2021-2025	125,000	121,609	246,609
2026	390,000	10,480	400,480
Total	\$ 640,000	\$ 287,155	\$ 927,155

2003A Tax Allocation Bonds

On June 1, 2003, the City issued the 2003A Tax Allocation Bonds in the amount of \$16,120,000. The proceeds from the issue were used to pay the issuance costs, fund a reserve account, and defease the Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds Issues of 1993A, 1995, and 1995 School District Bonds in the amount of \$5,000,000, \$8,980,000 and \$1,435,000, respectively. The bonds are secured by a pledge of and lien on property tax revenues.

Principal payments are due annually on August 1, commencing on August 1, 2004, with the final payment due in the year 2025. Interest is payable semi-annually every August 1 and February 1, commencing February 1, 2004. Interest rates range from 1.90% to 4.00% per annum.

The bonds are being issued on a parity basis with the 2003B Tax Allocation Bonds and the 2000 Tax Allocation Bonds in the amount of \$3,275,000 and \$10,000,000, respectively. The outstanding balance of the bonds in the amount of \$13,430,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. During 2015, the 2003A Tax Allocation Bonds were refunded by the 2014 Tax Allocations Bonds.

2003C Tax Allocation Bonds

On December 9, 2003, the City issued \$8,600,000 of 2003C Tax Allocation Refunding Bonds. The purpose of the bonds is to further the development of the Agency's project area through funding of various capital projects. The bonds are payable solely from tax revenues allocated to the Agency.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds Long-Term Debt (Continued)

2003C Tax Allocation Bonds (Continued)

The issue consists of serial bonds in the amount \$3,755,000 payable annually on August 1 of each year, commencing on August 1, 2004 and maturing in 2018 with interest rates ranging from 2.00% to 4.50%. The issue also consists of term bonds in the amount of \$4,845,000 payable on August 1, 2028 with an interest rate of 5.00%. The term bonds will be redeemed through sinking fund requirements beginning August 1, 2019. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off. . The outstanding balance of the bonds in the amount of \$6,820,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. During 2015, the 2003C Tax Allocation Bonds were refunded by the 2014 Tax Allocations Bonds.

2006 Tax Allocation Refunding Bonds

On December 1, 2006, the City issued \$9,995,000 of 2006 Tax Allocation Refunding Bonds. The purpose of the bonds is to partially refund the 2000 Tax Allocation Bonds. The bonds are payable solely from the tax revenues allocated to the Agency.

The issue consists of serial bonds in the amount \$9,995,000 payable annually on August 1 of each year, commencing on August 1, 2006 and maturing in 2031 with interest rates ranging from 3.50% to 4.50% per annum. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off. The outstanding balance of the bonds in the amount of \$9,830,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2015, the outstanding balance of the bonds was \$9,705,000. Total principal and interest remaining on the bond is \$15,208,269, payable through 2031.

The annual requirements to amortize the 2006 Tax Allocation Bonds outstanding at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 45,000	\$ 414,091	\$ 459,091
2017	45,000	412,404	457,404
2018	50,000	410,575	460,575
2019	50,000	408,575	458,575
2020	50,000	406,560	456,560
2021-2025	295,000	1,999,018	2,294,018
2026-2030	7,405,000	1,412,333	8,817,333
2031	1,765,000	39,713	1,804,713
Total	\$ 9,705,000	\$ 5,503,269	\$ 15,208,269

2011 Tax Allocation Bonds

On February 1, 2011, the Agency issued the 2011 Tax Allocation Bonds in the amount of \$7,120,000. The Bonds are being issued to (i) finance certain redevelopment activities of the Agency within the Merged Central Business District and Residential Redevelopment Project Area (the “Project Area”), (ii) fund a reserve for the Bonds, and (iii) pay certain costs of issuing the bonds. The Bonds are payable from and secured by the tax revenues to be derived from the Project Area and certain funds and accounts held under the Agency.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds Long-Term Debt (Continued)

2011 Tax Allocation Bonds (Continued)

The issue consists of serial bonds in the amount \$7,120,000 payable annually on August 1 of each year, commencing on August 1, 2011 and maturing in 2034 with interest rates ranging from 7.25% to 7.50% per annum. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off. The outstanding balance of the bonds in the amount of \$7,120,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2015, the outstanding balance of the bonds was \$7,120,000. Total principal and interest remaining on the bond is \$16,100,575, payable through 2033.

The annual debt service requirements for the 2011 Tax Allocation Bonds at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 516,200	\$ 516,200
2017	-	516,200	516,200
2018	-	516,200	516,200
2019	-	516,200	516,200
2020	-	516,200	516,200
2021-2025	-	2,581,000	2,581,000
2026-2030	200,000	2,573,750	2,773,750
2031-2034	6,920,000	1,244,825	8,164,825
Total	\$ 7,120,000	\$ 8,980,575	\$ 16,100,575

2011 Tax Allocation Bonds – School District

On May 1, 2011, the Agency issued the 2011 Tax Allocation Bonds in the amount of \$1,815,000. The Bonds are being issued to (i) finance certain facilities of the Calexico Unified School District (“CUSD”) located in the Merged Central Business District and Residential Redevelopment Project Area (the “Project Area”), (ii) fund a reserve for the Bonds, and (iii) pay certain costs of issuing the Bonds. The Bonds are payable from and secured by the tax revenues to be derived from the Project Area and certain funds and accounts held under the Agency.

The issue consists of serial bonds in the amount \$1,815,000 payable annually on August 1 of each year, commencing on August 1, 2011 and maturing in 2034 with interest rates ranging from 6.40% to 6.60% per annum. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off. The outstanding balance of the bonds in the amount of \$1,815,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2015, the outstanding balance of the bonds was \$1,815,000. Total principal and interest remaining on the bond is \$3,620,220 payable through 2033.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds Long-Term Debt (Continued)

2011 Tax Allocation Bonds – School District (Continued)

The annual debt service requirements for the 2011 Tax Allocation Bonds – School District at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 119,060	\$ 119,060
2017	-	119,060	119,060
2018	5,000	118,900	123,900
2019	-	118,740	118,740
2020	-	118,740	118,740
2021-2025	5,000	592,900	597,900
2026-2030	755,000	491,430	1,246,430
2031-2034	1,050,000	126,390	1,176,390
Total	\$ 1,815,000	\$ 1,805,220	\$ 3,620,220

2014 Tax Allocation Refunding Bonds

On August 1, 2014, the Agency issued the 2014 Tax Allocation Refunding Bonds in the amount of \$15,395,000. The Bonds are being issued to refinance bonds the Community Redevelopment Agency of the City of Calexico’s previously issued: (i) \$16,120,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Refunding Bonds Issue of 2003A, outstanding principal refunded in the amount of \$11,335,000; and (ii) \$8,600,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds, Issue of 2003C, outstanding principal refunded in the amount of \$6,040,000.

The issue consists of serial bonds in the amount \$15,395,000 payable annually on August 1 of each year, commencing on August 1, 2015 and maturing in 2028 with interest rates ranging from 2.00% to 5.00% per annum. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off. At June 30, 2015, the outstanding balance of the bonds was \$15,395,000. Total principal and interest remaining on the bond is \$19,933,375 payable through 2028.

The annual debt service requirements for the 2014 Tax Allocation Refunding Bonds at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 1,275,000	\$ 645,600	\$ 1,920,600
2017	1,125,000	615,975	1,740,975
2018	1,150,000	576,100	1,726,100
2019	1,200,000	523,100	1,723,100
2020	1,265,000	472,950	1,737,950
2021-2025	7,155,000	1,475,525	8,630,525
2026-2028	2,225,000	229,125	2,454,125
Total	\$ 15,395,000	\$ 4,538,375	\$ 19,933,375

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds Long-Term Debt (Continued)

Pledged Revenues

The Successor Agency has pledged tax revenues to the repayment of the RRDA's debts transferred to it on February 1, 2012 through the final maturity of the Bonds, or early retirement of the Bonds, whichever comes first.

Tax revenues consist of property tax revenues allocated to the Redevelopment Property Tax Trust Fund (RPTTF) for the Successor Agency that is maintained by the County of Imperial Auditor and Controller. The amounts so allocated are those that would have been allocated to the RDA had the RDA not been dissolved. The Auditor and Controller (A&C) then distributes RPTTF revenues to the Successor Agency based on Recognized Obligation Payment Schedules (ROPS) as approved by the California State Department of Finance (DOF) and after deducting amounts for A&C administrative costs and amounts required to be paid under tax-sharing agreements unless the payment of such amounts has been subordinated to payment of debt services on the Bonds. Each ROPS covers a six-month period and includes the applicable debt service payments on the Bonds.

Property tax revenue allocated to the RPTTF for the Successor Agency totaled \$2,726,482 plus an ERAF payment reimbursement in the amount of \$382,134 for a total of \$3,108,616 in fiscal year 2015. Total debt service of all Tax Allocation Bonds paid was \$2,866,394, 92% of the RPTTF revenue available for distribution to the Successor Agency.

D. Conduit Debt

Community Facilities District No. 2005-1 – Special Assessment Tax Bonds

On September 1, 2005, the City issued special assessment tax bonds under the State Improvement Acts of 1911 and 1915 through the Community Facilities District No. 2005-1 of the City of Calexico ("District"), which was established by the City pursuant to a bond indenture dated July 1, 2006. The bonds are being issued to finance certain public facilities and capital impact fees relating to a residential development within the District, fund an escrow account, fund a reserve account for the bonds, fund 18 months of capitalized interest on the bonds, and pay the cost of issuance of the bonds. These bonds are payable only from special assessment collections from the property owners. The City is not liable for repayment in any manner. The City is only acting as an agent for the property owners and bondholders in collecting and applying the special assessments toward bond debt service. The bonds are, therefore, not reported as a liability in the accompanying basic financial statements. The special assessment tax bonds totaling \$12,780,000 at June 30, 2015 were held by the District.

Community Facilities District No. 2013-1 – Special Tax Bonds

On February 1, 2014, the City issued special assessment tax bonds under the State Improvement Acts of 1911 and 1915 through the Communities Facilities District No. 2013-1 (Gran Plaza) of the City of Calexico ("District"), which was established by the City pursuant to a bond indenture dated February 1, 2014. Proceeds of the Bonds will be used to (i) finance certain public facilities relating to an outlet shopping center within the District; (ii) fund a debt service reserve account; (iii) fund capitalized interest; and (iv) pay costs of issuance of the Bonds. These bonds are payable only from special assessment collections from the property owners. The City is not liable for repayment in any manner. The City is only acting as an agent for the property owners and bondholders in collecting and applying the special assessments toward bond debt service. The bonds are, therefore, not reported as a liability in the accompanying basic financial statements. The special assessment tax bonds totaling \$7,000,000 at June 30, 2015 were held by the District.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 7 – Compensated Absences

A. *Governmental Activities*

The City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) in the governmental activities has been accrued and amounts to \$1,300,273 at June 30, 2015. There is no fixed payment schedule for compensated absences.

B. *Business-Type Activities*

In proprietary funds, the liability for vested and unpaid compensated absences (accrued vacation and sick pay) is reported in the funds as the benefits vest and are earned. The compensated absences accrued in the proprietary funds amount to \$269,922 at June 30, 2015. There is no fixed payment schedule for compensated absences.

Note 8 – Risk Management

A. *California Joint Powers Insurance Authority*

During the year ended June 30, 2015, and subsequently through December 31, 2015, the City was a member of the California Joint Powers Insurance Authority (Authority) and obtained its insurance from the Authority. The Authority is composed of approximately 118 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Risk Management (Continued)

A. California Joint Powers Insurance Authority (Continued)

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Claims Payable

Summary of change in claims payable for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Prior Period Adjustment	Claim Payment	Balance June 30, 2015	Classification	
					Due in One Year	Due in more than One Year
Governmental Activities:						
Claims Payable	\$ 3,031,633	\$ (664,000)	\$ (170,607)	\$ 2,197,026	\$ 378,063	\$ 1,818,963
Total governmental activities	<u>\$ 3,031,633</u>	<u>\$ (664,000)</u>	<u>\$ (170,607)</u>	<u>\$ 2,197,026</u>	<u>\$ 378,063</u>	<u>\$ 1,818,963</u>

Since its inception, the California Joint Powers Insurance Authority “the Authority,” has operated under a retrospective funding model for its liability and workers’ compensation programs. A change to the funding model was adopted in 2010 that will be fully implemented following the end of the 2012-2013 coverage period. During the transition from the retrospective funding model to the prospective funding model, retrospective deposit payments have been deferred. The unpaid portion of all retrospective adjustments on coverage periods up to and including 2009-2010 have been consolidated into a single aggregate retrospective balance. In accordance with the Retrospective Deposit Payment Policy, payments are scheduled to resume beginning July 1, 2013 for the Liability program and July 1, 2015 for the Workers’ Compensation program. Payments consist of a single annual payment due at the beginning of the fiscal year, on July 1st. The City has elected a 6 year payment option for both Liability and Workers’ Compensation program with interest rates ranging from 1.450% to 2.115% per annum. At June 30, 2015, the City’s outstanding principal and interest balance was \$2,197,026.

The scheduled payments for the retrospective claims payable at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 378,063	\$ 45,952	\$ 424,015
2017	385,977	38,038	424,015
2018	394,058	29,957	424,015
2019	402,307	21,708	424,015
2020	410,728	13,287	424,015
2021	225,893	4,687	230,580
Total	<u>\$ 2,197,026</u>	<u>\$ 153,629</u>	<u>\$ 2,350,655</u>

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Risk Management (Continued)

A. California Joint Powers Insurance Authority (Continued)

General Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million are distributed based on the outcome of cost allocation within the first and second loss layers.

The Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million x/s \$5 million layer, however it is fully covered under a separate policy and therefore not retained by the Authority.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$25 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

Workers' Compensation

In the workers' compensation program, claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

The Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Risk Management (Continued)

A. California Joint Powers Insurance Authority (Continued)

Pollution Legal Liability Insurance

The City of Calexico participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Calexico. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2014 through July 1, 2017. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

The City of Calexico participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Calexico property is currently insured according to a schedule of covered property submitted by the City of Calexico to the Authority. City of Calexico property currently has all-risk property insurance protection in the amount of \$39,713,894. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance

The City of Calexico purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Calexico property currently has earthquake protection in the amount of \$23,019,744. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

The City of Calexico purchases crime insurance coverage in the amount of \$3,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

Special Event Tenant User Liability Insurance

The City of Calexico further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of Calexico according to a schedule. The City of Calexico then pays for the insurance. The insurance is arranged by the Authority.

B. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2014-15.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Public Employee Retirement System

A. Summary

Net Pension Liability

Net Pension Liability is reported in the accompanying statement of net position as follows:

	Net Pension Liability
Miscellaneous Classic Plan - 226	\$ 6,266,620
Safety Classic Plan - 227	9,920,569
PEPRA Safety Fire Plan - 25196	11
PEPRA Safety Police Plan - 25197	62
Total	\$ 16,187,262

Deferred Outflows of Resources

Deferred Outflows of Resources are reported in the accompanying statement of net position as follows:

	Deferred employer pension contributions made after measurement date	Employer's actual contributions in excess of Employer's proportionate share of contributions
Miscellaneous Classic Plan - 226	\$ 389,770	\$ -
Safety Classic Plan - 227	1,255,861	212,117
PEPRA Safety Fire Plan - 25196	6,252	4,075
PEPRA Safety Police Plan - 25197	13,069	6,271
Total	\$ 1,664,952	\$ 222,463

Deferred Inflows of Resources

Deferred Inflows of Resources are reported in the accompanying statement of net position as follows:

	Investment earnings greater than expected earnings	Adjustments due to negative differences in proportions
Miscellaneous Classic Plan - 226	\$ 2,474,653	\$ -
Safety Classic Plan - 227	2,441,952	120,217
PEPRA Safety Fire Plan - 25196	3	4,163
PEPRA Safety Police Plan - 25197	18	1,460
Total	\$ 4,916,626	\$ 125,840

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Public Employee Retirement System (Continued)

A. Summary (Continued)

Pension Expense

Pension expenses are included in the accompanying statement of revenues, expenses, and Change in Net Position as follows:

	Net Pension Expense
Miscellaneous Classic Plan - 226	\$ 346,132
Safety Classic Plan - 227	1,104,268
PEPRA Safety Fire Plan - 25196	5,619
PEPRA Safety Police Plan - 25197	3,705
Total	\$ 1,459,724

B. CalPERS Miscellaneous Pension Plan

Plan Description

Substantially all City miscellaneous employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the Miscellaneous Plan Agent multiple-employer defined benefit plans administered by California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit Provisions under the Plans are established by State statutes within the Public Employee’s Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Public Employee Retirement System (Continued)

B. CalPERS Miscellaneous Pension Plan (Continued)

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic Miscellaneous CalPERS member or PEPRA member becomes eligible for Service Retirement upon attainment of age 55 with at least 5 years of credited service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 or 12 consecutive months' fulltime equivalent monthly pay. Retirement benefits for classic miscellaneous employees are calculated as 2% to 2.7% of the average final 12 months compensation. Retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation. Retirement benefits for classic employees are calculated as 3% of the average final 12 months compensation. Retirement benefits for PEPRA employees are calculated as 2.7% of the average final 36 months compensation.

Participant is eligible for nonindustrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard nonindustrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

Employees Covered – At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	Active employees	Inactive employees or beneficiaries currently receiving benefits	Inactive employees entitled to but not yet receiving benefits
Miscellaneous Classic Plan - 226	95	114	108

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Public Employee Retirement System (Continued)

B. CalPERS Miscellaneous Pension Plan (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2015, the average active miscellaneous employee contribution rates were 7.000% of annual pay, and the employer’s contribution rates were 7.541% for employee annual payroll.

For the year ended June 30, 2015, the contributions were:

	<u>Contributions - employer</u>
Miscellaneous Classic Plan - 226	\$ 389,770

Net Pension Liability

The City’s net pension liability is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page.

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

There were no changes in assumptions, benefit terms or other inputs that affected the measurement of the net pension liability. There were no changes between the measurement date of the net pension liability and the reporting date. The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Public Employee Retirement System (Continued)

B. CalPERS Miscellaneous Pension Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the agent multiple-employer plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Council action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least fiscal year 2018. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Public Employee Retirement System (Continued)

B. CalPERS Miscellaneous Pension Plan (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	-0.55	-1.05

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period.

Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Miscellaneous Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2013 (Valuation Date)	\$ 40,352,797	\$ 31,613,511	\$ 8,739,286
Changes in the year:			
Service cost	693,757	-	693,757
Interest on the total pension liabilities	2,997,774	-	2,997,774
Differences between expected and actual experience	-	-	-
Benefit payments, including refunds of members contributions	(1,458,707)	(1,458,707)	-
Contributions - employer	-	344,145	(344,145)
Contributions - employee	-	396,410	(396,410)
Net investment income	-	5,423,642	(5,423,642)
Administrative expenses	-	-	-
Net changes	2,232,824	4,705,490	(2,472,666)
Balance at June 30, 2014 (Measurement Date)	<u>\$ 42,585,621</u>	<u>\$ 36,319,001</u>	<u>\$ 6,266,620</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's net pension liability, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
	(6.50%)	Rate (7.50%)	(8.50%)
Miscellaneous Classic Plan	\$ 12,390,812	\$ 6,266,620	\$ 1,220,197

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Public Employee Retirement System (Continued)

B. CalPERS Miscellaneous Pension Plan (Continued)

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense in the amounts of \$346,132 for the Miscellaneous plan.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Classic Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ -	\$ (2,474,653)
Total	\$ -	\$ (2,474,653)

For the Miscellaneous Plan, \$389,770, was reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Miscellaneous Classic Plan - 226
2015	\$ (618,663)
2016	(618,663)
2017	(618,663)
2018	(618,664)
2019	-
Thereafter	-
	\$ (2,474,653)

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Public Employee Retirement System (Continued)

C. CalPERS Safety Pension Plans

Plan Description

Substantially all City safety employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the Safety Classic, Safety PEPRA File, Safety PEPRA Police cost-sharing multiple employer defined benefit plans administered by California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. The Classic Plans are closed to new entrants only eligible for employees hired prior to January 1, 2013. Employees hired after January 1, 2013 are eligible to enroll in the PEPRA plans. Benefit Provisions under the Plans are established by State statutes within the Public Employee's Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic safety CalPERS member becomes eligible for Service Retirement upon attainment of age 50 and 55, respectively, with at least 5 years of credited service. Public Employee Pension Reform Act (PEPRA) safety members become eligible for service retirement upon attainment of age 57 and 62, respectively, with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 12 full-time equivalent monthly pay. Retirement benefits for classic safety employees are calculated as 3% and 2.7%, respectively, of the average final 12 months compensation. Retirement benefits for PEPRA safety employees are calculated as 2.7% and 2%, respectively, of the average final 36 months compensation.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Public Employee Retirement System (Continued)

C. CalPERS Safety Pension Plans (Continued)

Employees Covered

At June 30, 2015 the following employees were covered by the benefit terms for each Plan:

	Active employees	Inactive employees or beneficiaries currently receiving benefits	Inactive employees entitled to but not yet receiving benefits
Safety Classic Plan - 227	56	78	80
PEPRA Safety Fire Plan - 25196	-	-	1
PEPRA Safety Police Plan - 25197	3	-	1

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by the Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015, the active employee contribution rate was 27.947% of annual payroll for the Safety Classic Plan, 11.5% for the Safety PEPRA Fire Plan, and 11.5% for the Safety PEPRA Police Plan. The average employer’s contribution rate was 27.947% for the Safety Classic Plan, 12.250% for the Safety PEPRA Fire Plan and 11.5% for the Safety PEPRA Police Plan.

For the measurement period ended June 30, 2014, the plan’s proportionate share of aggregate employer contributions made for each Plan was as follows:

	Contributions - employer
Safety Classic Plan - 227	\$ 1,003,300
PEPRA Safety Fire Plan - 25196	1
PEPRA Safety Police Plan - 25197	8
Total	\$ 1,003,309

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Public Employee Retirement System (Continued)

C. CalPERS Safety Pension Plans (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

As of June 30, 2014, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Safety Classic Plan:			
Balance at: 6/30/13 (Valuation date)	\$ 43,260,124	\$ 30,802,598	\$ 12,457,526
Balance at: 6/30/14 (Measurement date)	45,358,862	35,438,293	9,920,569
Net Changes during 2013-2014	2,098,738	4,635,695	(2,536,957)
PEPRA Safety Fire Plan:			
Balance at: 6/30/13 (Valuation date)	\$ 58	\$ 43	\$ 15
Balance at: 6/30/14 (Measurement date)	61	50	11
Net Changes during 2013-2014	3	7	(4)
PEPRA Safety Police Plan:			
Balance at: 6/30/13 (Valuation date)	\$ 319	\$ 237	\$ 82
Balance at: 6/30/14 (Measurement date)	334	272	62
Net Changes during 2013-2014	15	35	(20)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Public Employee Retirement System (Continued)

C. CalPERS Safety Pension Plans (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The City’s proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Safety Classic Plan - 227	PEPRA Safety Fire Plan - 25196	PEPRA Safety Police Plan - 25197
Proportion June 30, 2013	0.26038%	0.00000%	0.00000%
Proportion June 30, 2014	0.26448%	0.00000%	0.00001%
Change - Increase (Decrease)	0.00410%	0.00000%	0.00000%

For the year ended June 30, 2015, the City recognized pension expense in the amounts of \$1,104,268, \$5,619, and \$3,705, for the Safety Classic, Safety PEPRA Fire and Safety PEPRA Police plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Safety Classic Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ -	\$ (2,441,952)
Adjustment due to differences in proportions	212,117	-
Difference between City contributions and proportionate share of contributions	-	(120,217)
Total	<u>\$ 212,117</u>	<u>\$ (2,562,169)</u>

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Public Employee Retirement System (Continued)

C. CalPERS Safety Pension Plans (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

PEPRA Safety Fire Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ -	\$ (3)
Adjustment due to differences in proportions	4,075	-
Difference between City contributions and proportionate share of contributions	-	(4,163)
Total	\$ 4,075	\$ (4,166)
PEPRA Safety Police Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ -	\$ (18)
Adjustment due to differences in proportions	6,271	-
Difference between City contributions and proportionate share of contributions	-	(1,460)
Total	\$ 6,271	\$ (1,478)

For the Safety Classic Plan, Safety PEPRA Fire plan, and Safety PEPRA Police plan, \$1,255,861, \$6,252, and 13,069, respectively, was reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources		
	Safety Classic Plan - 227	PEPRA Safety Fire Plan - 25196	PEPRA Safety Police Plan - 25197
2015	\$ (577,666)	\$ (32)	\$ 1,712
2016	(577,666)	(32)	1,712
2017	(584,232)	(26)	1,372
2018	(610,488)	(1)	(3)
2019	-	-	-
Thereafter	-	-	-
	\$ (2,350,052)	\$ (91)	\$ 4,793

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Public Employee Retirement System (Continued)

C. CalPERS Safety Pension Plans (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Public Employee Retirement System (Continued)

C. CalPERS Safety Pension Plans (Continued)

Discount Rate (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	-0.55	-1.05

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
	(6.50%)	Rate (7.50%)	(8.50%)
Safety Classic Plan	15,996,277	9,920,569	4,914,449
PEPRA Safety Fire Plan	19	11	4
PEPRA Safety Police Plan	107	62	26
	\$ 15,996,403	\$ 9,920,642	\$ 4,914,479

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Public Employee Retirement System (Continued)

C. CalPERS Safety Pension Plans (Continued)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Note 10 – Other Postemployment Benefits Plan

Plan Description

The City currently provides health benefits to 22 retirees. In addition, 154 active employees are earning service credit for future retiree health benefits. Employees hired on or after July 1, 2008 except members of the Calexico Police Officers' Association are not eligible for retiree health benefits. Employees hired prior to May 18, 1993 retiring from the City under PERS are eligible for City paid retiree medical and dental benefits for themselves and eligible dependents. The retiree is responsible for a monthly contribution equal to \$120. Employees hired on or after May 18, 1993 are eligible for City paid retiree medical benefits for themselves only to the retiree's attainment of age 65. Eligibility requires retirement from the City under PERS with at least 20 years of service. Retirees with less than 30 years of service at retirement are required to pay a monthly contribution. The retiree may also elect to cover and pay for eligible dependents based on the COBRA rate. Section V of the report details the plan provisions.

Funding Policy

Currently, the City accounts for retiree health benefits on a pay-as-you-go basis. The pay-as-you-go or employer payment amount for the 2014 fiscal year was \$625,817.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 10 – Other Postemployment Benefits Plan (Continued)

Funding Policy (Continued)

As of the valuation date, the City does not have any funds eligible as plan assets. Assets cannot be considered as employer contributions or plan assets unless they are segregated for exclusive use for retiree health benefit payments and are secured from creditors of the City. The unfunded actuarial accrued liability at July 1, 2014 was \$28,036,815.

Annual OPEB Cost

For the year ended June 30, 2015, the City's Annual Required Contribution is \$2,751,111. This amount is comprised of the present value of benefits accruing in the fiscal year (normal cost) plus a 30-year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability (past service liability) at July 1, 2014. The net OPEB obligation at the end of the fiscal year will reflect any actual retiree health contributions and any GASB eligible pre-funding amounts made during the period.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	Beginning Balance Net OPEB Obligation	Annual Required Contributions	Actual Contributions	Amortization of Net OPEB Obligation	Accrued Interest	Ending Balance Net OPEB Obligation
2012-2013	\$ 5,931,831	\$ 2,336,821	\$ (565,152)	\$ (371,139)	\$ 237,273	\$ 7,569,634
2013-2014	7,569,634	2,370,740	(377,492)	(473,612)	302,785	9,392,055
2014-2015	9,392,055	2,751,111	(625,817)	(615,995)	375,682	11,277,036

Most Recent Actuarial Study – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	Unfunded Actuarial Liabilities as Percentage of Covered Payroll
7/1/2014	\$ -	\$ 28,036,815	\$ 28,036,815	0.00%	\$ 12,134,300	231.05%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of July 1, 2014. In that valuation, the Projected Unit Credit (PUC) with service prorate cost method was used. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability, or death. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), assuming the City continues on a pay-as-you-go basis, and an annual CalPERS minimum required contribution increase trend rate of 5% initially. Both assumptions reflect an implicit 2.8% percent general inflation assumption. The City's unfunded actuarial accrued liability is being amortized over an initial 30 years using a level-dollar basis. The remaining amortization period as of July 1, 2014 is assumed to be 26 years.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 11 – 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 (County) for the secured and unsecured property tax roll; the utility property tax rolls are 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), property is assessed at 100 percent of purchase price or value in 1978 whichever is later. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent per year. However, increases to current 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 percent of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provision of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax levy dates – are attached annually on January 1 of the preceding fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property and 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 tax rolls constitute a lien against the property and may be paid in two installments; the first installment is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second installment 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. Penalties are imposed by the County for late payment.

Tax levy apportionments – 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 by the total City-wide levy compared to the total County for the three years prior to fiscal year 1979.

Property tax administration fees – the State’s Fiscal Year 1990-91 Budget Act authorized counties to collect administrative fees for collection and distribution of property taxes. Property taxes are recorded net of administrative fees withheld during the fiscal year.

Note 12 – Joint Powers Agreement – Calexico Special Financing Authority

The Calexico Special Financing Authority (“Authority”) was formed by a Joint Exercise of Powers Agreement (Joint Powers Agreement), dated as of June 20, 1996, by and between the City and the Heffernan Memorial Hospital District (“District”). The Authority is a public entity separate from the City and District. The Authority was created for the purpose of providing financing for local agencies, including the District and the City; and it is authorized pursuant to the Bond Law to issue bonds for the purpose of providing such financing. The debts, liabilities, and obligations of the Authority do not constitute debts, liabilities, or obligations of either the City or the District.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 12 – Joint Powers Agreement – Calexico Special Financing Authority (Continued)

The Authority is administered by a commission (Commission) which consists of four members, each serving in his or her individual capacity as a member of the Commission. Two members of the Commission are appointed by the Mayor of the City, and two members of the Commission are appointed by the governing body of the District. All actions taken by the Authority require the affirmative vote of not less than three members of the Commission.

The Joint Powers Agreement continues in full force and effect until December 31, 2016, unless extended or earlier terminated. The date of the final maturity of the bonds is January 1, 2018, but the Joint Powers Agreement may not terminate or be terminated until the date on which all the bonds and other indebtedness issued or to be issued by the Authority shall have been retired or full provision shall have been made for their retirement. The Joint Powers Agreement provides, among other things, that the City shall not be liable to the District or the Hospital on account of the City's participation in the Authority; that the City shall not be required to make any contributions, payments, or advances of public funds to the Authority.

In the Joint Powers Agreement, the City and the District agree to comply with all provisions of law relating to the one half percent special district sales tax; the City specifically agrees to take the steps necessary to continue to levy and collect the sales tax for the use thereof by the District; and the District agrees to take any and all actions required to maintain its status as a health care district under the State Constitution and laws of the State.

The Authority has no assets other than the Trust Estate and no income other than the tax revenues. Moreover, any assets acquired or income received by it in the future (other than assets that would be part of the Trust Estate and income that would constitute the revenues) would be pledged to the payment of the principal of or interest on the bonds.

On June 21, 2001, the Authority issued the Refunding Revenue Bonds, Series 2001 to advance refund the previously issue Revenue Bonds, Series 1996.

The bonds were issued to provide funds to purchase certain obligations of the District and to establish a reserve fund for the bonds. The bonds are authorized pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 and are issued pursuant to a Trust Agreement dated October 29, 1996 by and between the Authority and State Street Bank and Trust Company of California, N.A. (Trustee). The bonds are payable from the ½ cent sales tax authorized to be imposed and collected within the corporate boundaries of the City for exclusive use of the District. The District has pledged and assigned its rights in the sales tax revenue to the Authority; and the Authority, in turn, has pledged and assigned its rights therein to the Trustee for the benefit of the owners of the bonds.

The bonds are special limited obligations of the Authority, payable from, and secured as to the payment of the principal and interest on the bonds in accordance with their terms and the terms of the trust agreement, solely from the Trust Estate. The bonds do not constitute a charge against the general credit of the Authority or any of its members, and under no circumstances shall the Authority be obligated to pay principal or interest on the bonds except from the Trust Estate. Neither the State of California nor any public agency (other than the Authority) nor any member of the Authority is obligated to pay the principal or interest on the bonds. Neither the faith and credit (except to the extent of the sales tax revenues) nor the taxing power of the State of California or any public agency thereof or any member of the Authority is pledged to the payment of the principal or interest on the bonds, and neither the principal or interest on the bonds constitutes a debt, liability or obligation of the State of California or any public agency (other than the Authority) or any member of the Authority.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 13 – Commitments and Contingencies

A. *Litigation*

The City is a defendant in certain legal actions arising in the normal course of operations. Liabilities for the probable amounts of loss associated with these claims are covered through the California Joint Powers Insurance Authority.

On September 24, 1992, the City entered into a development agreement with Wal-Mart Stores, Inc. (Wal-Mart). Wal-Mart paid all direct and indirect costs of the public improvements. The total cost of these improvements was \$2,515,714. In accordance with the agreement, the City will reimburse Wal-Mart for the construction of the improvements. At June 30, 2015, the outstanding liability was \$1,466,722. However, the City is currently in litigation with Wal-Mart and has frozen all payments to Wal-Mart. Please see Note 6A for further information.

B. *Grants*

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors and their representatives.

During fiscal year 2014-15, the City's CDBG and Home housing programs have been audited by the State of California Housing and Community Development (HCD). HCD found the City to be non-compliant with grant documentation requirements. Pending resolution of grant findings, on December 14, 2014, HCD froze the City's access to CDBG grant and program income reimbursements, and further froze access to the Home program grants and program income on August 8, 2015. To resolve grant issues, and at the request of HCD, the City has contracted for a comprehensive forensics audit of its CDBG, Home, and CalHome program income accounts and its Villa Primavera project for the period from June 30, 2008 through 2015. Although its forensics audit is not complete, the City continues to assert that the HCD grant receivables reported on its balance sheet will ultimately be defended and collected. The amount of liability for potential ineligible HCD reimbursements, if any, cannot be estimated at this time, and no liability has been recorded.

With respect to the City's other grant programs, any liability for reimbursement which may arise as the result of grantor audits, if any, is not believed to be material.

C. *Construction*

Various construction projects were in progress at June 30, 2015 with an estimated cost to complete of approximately \$4,002,000 planned for in all fund types.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 14 – Deferred Compensation Plan

The City offers a deferred compensation plan for regular employees created in accordance with Internal Revenue Code Section 457. Under the terms of this plan, employees may defer amounts of income up to a maximum of \$17,000 per year or one-hundred percent (100%) of includable compensation, whichever is less. Amounts so deferred may be withdrawn or directed for future payment at separation of employment but may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue and unforeseen financial hardship for the employee.

Federal legislation, (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The City's deferred compensation administrator qualifies as the plan trustee to meet Federal requirements. Since the plan assets are not considered the property and rights of the City, such assets are not reflected in the accompanying basic financial statements.

Note 15 – Self-Funded Medical, Dental and Vision Plan

The City of Calexico provides its employees, eligible retirees and elected officials with an option to participate in a self-funded employer sponsored health plan. In this plan the City takes on the financial risk of funding the plan from its assets and is responsible for managing and administering the plan.

The City administers the plan through a third party administrator (TPA) and purchases excess insurance coverage to protect itself from extreme claims and utilization levels. This excess insurance is called employer stop-loss (ESL) coverage. In addition to covering the potential losses inherent with any group benefit plan, the City's ESL coverage provides protection for the entire covered group, reimbursement for medical expenses above a specified dollar amount of \$75,000, and cover for catastrophic and high dollar claims such as transplants, leukemia, renal failure and premature births.

The City provides a network of Exclusive Provider Organization (EPO) participants and a Preferred Provider Organization (PPO) network for eligible retirees and Police Officers Association (POA) members. The City Council eliminated employees hired after 2008 from the retiree coverage, except for POA members who continue to be covered as a condition specified in the POA Memorandum of Understanding (MOU).

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 16 – Other Required Disclosures

A. Deficit Fund Balances/Net Position

At June 30, 2015, the Governmental Activities Statement of Net Position had an unrestricted net position deficit of \$(33,030,813).

At June 30, 2015, the following funds had a fund balances (deficit) or net position (deficit), which will be eliminated through the reduction in future expenditures and/or the use of new funding sources:

Fund	Fund Type	Deficit
General Fund	General Fund	\$ (114,972)
Federal HOME Grant Fund	Special Revenue Fund	(216,648)
Sustainable Community Planning Grant	Special Revenue Fund	(7,127)
Local Housing Programs	Special Revenue Fund	(206,037)
Capital Grants Fund	Capital Projects	(39,454)
DIF - Fire	Capital Projects	(249,387)
Consair LLC	Capital Projects	(276,422)
Mega Park	Capital Projects	(5,584)
Successor Agenct to the Calexico Redevelopment Agency	Private Purpose Trust Fund	(17,172,168)

B. Expenditures exceeding appropriations

For the year ended June 30, 2015, expenditures exceeded appropriations in the following functions of the General Fund:

Fund	Function	Excess
General Fund	General government	\$ (136,970)
General Fund	Public Safety - Police	(427,252)
General Fund	Public works	(319,864)
General Fund	Culture and recreation	(223,362)
General Fund	Community development	(588,386)
General Fund	Housing	(203)

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 17 – Fund Balance Classification

The City’s fund balances at June 30, 2015 are tabulated below by fund types:

	Major Funds						Total
	General Fund	LTA Measure D Special Revenue Fund	Federal HOME Grant Fund	LTA Measure H Capital Project Fund	LTA Measure D Capital Project Fund	Other Governmental Fund	
Non-spendable:							
CalHOME Grant Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,556,556	\$ 1,556,556
Total non-spendable	-	-	-	-	-	1,556,556	1,556,556
Restricted:							
Measure D	\$ -	\$ 7,584,211	\$ -	\$ -	\$ -	\$ -	\$ 7,584,211
Debt Service Payments	-	-	-	-	-	2,727,978	2,727,978
Public safety	-	-	-	-	-	596,681	596,681
Public works	-	-	-	-	-	2,692,440	2,692,440
Culture and recreation	-	-	-	-	-	362,630	362,630
Housing	-	-	-	-	-	4,090,301	4,090,301
Capital Projects	-	-	-	10,135,475	7,283,313	5,913,466	23,332,254
Total restricted	-	7,584,211	-	10,135,475	7,283,313	16,383,496	41,386,495
Unassigned (deficit)	(114,972)	-	(216,648)	-	-	(1,868,161)	(2,199,781)
Total unassigned	(114,972)	-	(216,648)	-	-	(1,868,161)	(2,199,781)
Total fund balances	\$ (114,972)	\$ 7,584,211	\$ (216,648)	\$ 10,135,475	\$ 7,283,313	\$ 16,071,891	\$ 40,743,270

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 18 – Prior Period Adjustments

A. Government-Wide Financial Statements

The beginning net position at July 1, 2014 of the Government-wide Financial Statements was restated as follows:

	Governmental Activities	Business-Type Activities
Net position at July 1, 2014	\$ 58,924,591	\$ 59,604,600
Correction of overstated JPIA Claims Payable	664,000	-
Correction to recognize City's Successor Agency Admin Fees for fiscal years 2012-13 and 2013-14	500,000	-
Prior year grant revenue, TOT and franchise fee corrections	44,301	-
Correction of prior year unemployment insurance	240,617	-
Correction of prior year overstatement of Measure D grants receivable	(1,315,425)	-
Correction to prior year grant revenue accruals	(1,753,286)	-
Correction to prior year grant accounts receivable	315,603	-
Correction of prior year Utility Billing Accounts Receivable	(177,204)	(1,304,409)
Reclassification of agency fund to East Area Facilities Plan Capital Projects Fund	886,479	-
Reclassification of agency fund to Business Improvement District Special Revenue Fund	36,999	-
Net pension liability due to the implementation of GASB 68	(17,003,813)	(2,543,728)
Net position at July 1, 2014, as restated	<u>\$ 41,362,862</u>	<u>\$ 55,756,463</u>

B. Governmental Fund Financial Statements

The beginning fund balances at July 1, 2014 for the governmental funds were restated as follows:

	General Fund	Federal HOME Grant Fund	Measure D Capital Projects Funds	Other Governmental Funds	Total
Net position at July 1, 2014	\$ 3,893,721	\$ 256,571	\$ -	\$ 38,000,643	\$ 42,150,935
Correction to recognize City's Successor Agency Admin Fees for fiscal years 2012-13 and 2013-14	500,000	-	-	-	500,000
Correction due to reissuance of 2013 Single Audit Report	(364,229)	-	-	364,229	-
Correction due to a State Controllers' audit	(122,794)	-	-	122,794	-
Correction to prior grant revenue accruals	-	-	-	(1,753,286)	(1,753,286)
Correction of prior year Utility Billing Accounts Receivable	-	-	-	(177,204)	(177,204)
Prior year grant revenue, TOT and franchise fee corrections	(89,267)	-	-	133,568	44,301
Correction of prior year unemployment insurance	240,617	-	-	-	240,617
Housing Grant Programs Reclassification	-	(50,294)	-	50,294	-
Reclassification of prior year Housing Loans between funds	-	(153,874)	-	153,874	-
Correction to prior year grant accounts receivable	-	-	-	315,603	315,603
Reclassification of agency funds to governmental funds	-	-	-	923,478	923,478
Correction of prior year overstatement of Measure D grants receivable	-	-	(1,315,425)	-	(1,315,425)
Net position at July 1, 2014, as restated	<u>\$ 4,058,048</u>	<u>\$ 52,403</u>	<u>\$ (1,315,425)</u>	<u>\$ 38,133,993</u>	<u>\$ 40,929,019</u>

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 18 – Prior Period Adjustments (Continued)

B. Governmental Fund Financial Statements (Continued)

The beginning fund balances at July 1, 2014 for the non-major governmental funds were restated as follows:

	Library Grant	Gas Tax	Asset Forfeiture	COPS Grant	Operation Stonegarden	SAFER Grant	Emergency Services	FEMA Grant
Fund balance at July 1, 2014	\$ 155,883	\$ 1,004,935	\$ 18,576	\$ 68,758	\$ (106,362)	\$ 6,187	\$ -	\$ 1,820,660
Correction to prior grant revenue accruals	18,092	-	-	-	106,362	-	-	(1,745,310)
Correction to reimburse Gas Tax fund for State audit findings	-	122,794	-	-	-	-	-	-
Correction to reimburse asset forfeiture fund due to 2013 single audit revision	-	-	364,229	-	-	-	-	-
Correction of prior year franchise fees	-	-	-	-	-	-	-	-
Correction of prior year Utility Billing Accounts Receivable	-	-	-	-	-	-	-	-
Correction to prior year grant accounts receivable	-	194,091	-	-	-	-	-	-
Public Safety Grant Programs Reclassification	-	-	-	(8,083)	-	(12,305)	12,305	-
Housing Grant Programs Reclassification	-	-	-	-	-	-	-	-
Capital Project Grants Reclassification	-	-	-	-	-	-	-	-
Reclassification of prior year Housing Loans between funds	-	-	-	-	-	-	-	-
Reclassification of agency funds to governmental funds	-	-	-	-	-	-	-	-
Fund balance at July 1, 2014, as restated	<u>\$ 173,975</u>	<u>\$ 1,321,820</u>	<u>\$ 382,805</u>	<u>\$ 60,675</u>	<u>\$ -</u>	<u>\$ (6,118)</u>	<u>\$ 12,305</u>	<u>\$ 75,350</u>

	Plan Update	Solid Waste	Improvement District	CalHOME Grant	CDBG Grant	Community Planning Grant	Housing Programs	Cal Home/ Others Grants	HELP F.T.H.B.
Fund balance at July 1, 2014	\$ -	\$ 663,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,869,924	\$ 36,687
Correction to prior grant revenue accruals	-	-	-	(132,430)	-	-	-	-	-
Correction to reimburse Gas Tax fund for State audit findings	-	-	-	-	-	-	-	-	-
Correction to reimburse asset forfeiture fund due to 2013 single audit revision	-	-	-	-	-	-	-	-	-
Correction of prior year franchise fees	-	133,568	-	-	-	-	-	-	-
Correction of prior year Utility Billing Accounts Receivable	-	(177,204)	-	-	-	-	-	-	-
Correction to prior year grant accounts receivable	-	-	-	-	-	-	-	-	-
Public Safety Grant Programs Reclassification	8,083	-	-	-	-	-	-	-	-
Housing Grant Programs Reclassification	-	-	-	607,504	855,091	(69,419)	438,730	(1,869,924)	(36,687)
Capital Project Grants Reclassification	-	-	-	-	-	-	-	-	-
Reclassification of prior year Housing Loans between funds	-	-	-	-	153,874	-	-	-	-
Reclassification of agency funds to governmental funds	-	-	36,999	-	-	-	-	-	-
Fund balance at July 1, 2014, as restated	<u>\$ 8,083</u>	<u>\$ 620,014</u>	<u>\$ 36,999</u>	<u>\$ 475,074</u>	<u>\$ 1,008,965</u>	<u>\$ (69,419)</u>	<u>\$ 438,730</u>	<u>\$ -</u>	<u>\$ -</u>

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 18 – Prior Period Adjustments (Continued)

B. Governmental Fund Financial Statements (Continued)

The beginning fund balances at July 1, 2014 for the non-major governmental funds were restated as follows:

	Housing Fund	Revolving Loan	Capital Grants	Safe Route to School	Parks Grant	Other Special Revenue	DIF - General Government	East Area Facilities Plan	Governmental Funds
Fund balance at July 1, 2014	\$ (239,949)	\$ 114,950	\$ -	\$ 24,031	\$ (11,520)	\$ 2,252	\$ 154,992	\$ -	\$ 5,583,654
Correction to prior grant revenue accruals	-	-	-	-	-	-	-	-	(1,753,286)
Correction to reimburse Gas Tax fund for State audit findings	-	-	-	-	-	-	-	-	122,794
Correction to reimburse asset forfeiture fund due to 2013 single audit revision	-	-	-	-	-	-	-	-	364,229
Correction of prior year franchise fees	-	-	-	-	-	-	-	-	133,568
Correction of prior year Utility Billing Accounts Receivable	-	-	-	-	-	-	-	-	(177,204)
Correction to prior year grant accounts receivable	-	-	-	-	-	-	121,512	-	315,603
Public Safety Grant Programs Reclassification	-	-	14,763	(24,031)	11,520	(2,252)	-	-	-
Housing Grant Programs Reclassification	239,949	(114,950)	-	-	-	-	-	-	50,294
Capital Project Grants Reclassification	-	-	-	-	-	-	-	-	-
Reclassification of prior year Housing Loans between funds	-	-	-	-	-	-	-	-	153,874
Reclassification of agency funds to governmental funds	-	-	-	-	-	-	-	886,479	923,478
Fund balance at July 1, 2014, as restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,504</u>	<u>\$ 886,479</u>	<u>\$ 5,717,004</u>

C. Proprietary Fund Financial Statements

The beginning fund balances at July 1, 2014 for the proprietary funds were restated as follows:

	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Net position at July 1, 2014	\$ 35,073,287	\$ 23,089,608	\$ 59,604,600
Correction of prior year Utility Billing Accounts Receivable	(731,180)	(573,229)	(1,304,409)
Net pension liability due to the implementation of GASB 68	(1,553,101)	(990,627)	(2,543,728)
Net position at July 1, 2014, as restated	<u>\$ 32,789,006</u>	<u>\$ 21,525,752</u>	<u>\$ 54,314,758</u>

D. Fiduciary Fund Financial Statements

The beginning fund balances at July 1, 2014 for the fiduciary activities were restated as follows:

	<u>the the Calexico Redevelopment Agency</u>
Net position at July 1, 2014	\$ (17,379,225)
Correction to recognize City's Successor Agency Admin Fees for fiscal years 2012-13 and 2013-14	(500,000)
Net position at July 1, 2014, as restated	<u>\$ (17,879,225)</u>

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 19 – Financial Condition of the General Fund

The City's General Fund Balance Sheet reports a deficit fund balance at June 30, 2015 of \$114,972.

To clarify the scope of this deficit, for financial reporting purposes, the activities reported as the City's General Fund includes the Measure H 1% transaction tax program. Governmental accounting standards require the City's financial statements to consolidate unrestricted programs such as Measure H with the General Fund to present to readers the full scope of discretionary resources. Although the Measure H program is guided by a citizen's advisory committee, revenues are unrestricted and the City Council retains overall discretion over program expenditures. Accordingly, the General Fund revenues, expenditures, and ending fund balance reported in these financial statements are inclusive of the Measure H program.

The General Fund's deficit position at June 2015 has occurred as a result of under-achieving the adopted 2014-15 General Fund budget. While the City Council adopted a balanced 2014-15 General Fund budget at the beginning of the 2014-15 fiscal year, actual results did not match the budget plan. Specifically, the 2014-15 budget overestimated available inflows and actual spending exceeded the approved expenditure budget. The net result is a General Fund balance deficit to be remedied in subsequent year budget cycles.

Further, the City anticipates a further erosion of its General Fund financial condition in the subsequent 2015-16 fiscal year. The adopted budget for 2015-16 reflects an expenditure trend that continues to outpace projected revenues. To address its accumulated projected deficit through June 2016, on June 30, 2016, the City Council adopted a capital lease financing program in which the City's Wastewater program advanced \$3.5 million to the General Fund. The terms of the advance include a 2% interest rate and a four year repayment schedule.

On June 30, 2016, the City also adopted a balanced General Fund budget for the 2016-17 fiscal year which includes the initial installment repayment of its advance from the Wastewater Fund. However, the 2016-17 budget also assumes labor cost reductions to be achieved either through employee contract negotiation or through reductions in force. At this time, the 2016-17 budget reduction plan has not been fully implemented. Additional 2016-17 budget adjustments are anticipated to bring the City's General Fund spending in line with available resources, to repay the Wastewater advance, and to rebuild a prudent General Fund reserve to carry the City responsibly into the future.

City of Calexico
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 20 – Subsequent Events

Membership withdrawal from the Authority and New Membership with California State Association of Counties Excess Insurance Authority (CSAC)

Subsequent to June 30, 2015, effective December 31, 2015, the City withdrew as a member of the California Joint Powers Insurance Authority. As of January 1, 2016, the City became a member of the California State Association of Counties Excess Insurance Authority (CSAC). With CSAC membership, the City elected to become self-insured for certain risks and purchased excess insurance for its general liability, property, and workers compensation programs through CSAC. Effective January 1, 2016, the City's general liability program carries a self-insured retention of \$250,000 and its workers compensation program carries a self-insured retention of \$125,000.

Conduit Debt - Community Facilities District No. 2005-1 – Special Assessment Tax Bonds

On September 1, 2016, the Reserve account Balance for the CFD after submitting its September 1, 2016 debt service obligation is \$ 587,894, under the minimum Reserve balance required of \$ 1,016,560. The Reserve Account of the CFD 2005-1 Hearthstone Bond, has been impacted by several draws over past few years, mainly for City not collecting enough CFD taxes due to Owner of the CFD Project filed for Chapter 7 bankruptcy on August 2008 and never completed development of all Phases of the project. As an update today, together City administrators, CFD Consultants, City Attorney, the new property owners, Trustee attorneys are currently working on a financial plan to auction undeveloped property to provide a final solution to this issue. All Continuing Disclosure Agreements has been reported for this financial condition by the disclosure agent and the trustee.

\$3,500,000 Loan from Wastewater to the General Fund

On June 30, 2016, the City Council adopted a capital lease financing program in which the City's Wastewater program advanced \$3.5 million to the General Fund. The terms of the advance include a 2% interest rate and a four year repayment schedule. On June 30, 2016, the City also adopted a balanced General Fund budget for the 2016-17 fiscal year which includes the initial installment repayment of its advance from the Wastewater Fund. However, the 2016-17 budget also assumes labor cost reductions to be achieved either through employee contract negotiation or through reductions in force. At this time, the 2016-17 budget reduction plan has not been fully implemented. Additional 2016-17 budget adjustments are anticipated to bring the City's General Fund spending in line with available resources, to repay the Wastewater advance, and to rebuild a prudent General Fund reserve to carry the City responsibly into the future.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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City of Calexico
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2015

Note 1 – Budgetary Information

The City Council has the responsibility for adoption of the City’s budget. Budgets are adopted for governmental funds. 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. Lease contracts entered into by the City are subject to annual review by the City Council; hence, they legally are one year contracts with an option to review for another fiscal year.

Budget accounts reported for the governmental funds of the City are adopted on a basis consistent with GAAP in the United States.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities. The commitments will be re-appropriated and honored in the subsequent year.

City of Calexico
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2015

Note 1 – Budgetary Information (Continued)

The following are the budget comparison schedules for the General Fund and all major special revenue funds.

Budget Comparison Schedules, General Fund

	Budgeted Amounts				Actual Amounts	Variance with Final Budget
	General Fund Original	Measure H Fund Original	Original Total	Final		
REVENUES:						
Property taxes	\$ 1,740,700	\$ -	\$ 1,740,700	\$ 1,740,700	\$ 2,133,732	\$ 393,032
Other taxes:						
Other taxes	4,706,598	-	4,706,598	4,706,598	4,483,078	(223,520)
Measure H sales tax	2,623,928	2,623,928	5,247,856	5,247,856	2,757,246	(2,490,610)
Total other taxes	7,330,526	2,623,928	9,954,454	9,954,454	7,240,324	(2,714,130)
Licenses, permits and fees	1,085,277	-	1,085,277	1,085,277	1,515,816	430,539
Intergovernmental	3,576,142	-	3,576,142	3,576,142	3,761,789	185,647
Charges for services	1,521,341	-	1,521,341	1,521,341	1,844,093	322,752
Fines and forfeitures	252,316	-	252,316	252,316	369,098	116,782
Use of money and property	284,730	-	284,730	284,730	266,110	(18,620)
Other revenues	170,028	-	170,028	170,028	66,153	(103,875)
Total revenues	15,961,060	2,623,928	18,584,988	18,584,988	17,197,115	(1,387,873)
EXPENDITURES:						
Current:						
General government	2,745,205	-	2,745,205	2,745,205	2,882,175	(136,970)
Public safety:						
Police	7,297,962	850,000	8,147,962	8,147,962	8,575,214	(427,252)
Fire	4,330,382	400,000	4,730,382	4,730,382	4,337,807	392,575
Total Public Safety	11,628,344	1,250,000	12,878,344	12,878,344	12,913,021	(34,677)
Public works	1,444,061	-	1,444,061	1,444,061	1,763,925	(319,864)
Culture and recreation:	1,056,226	145,000	1,201,226	1,201,226	1,424,588	(223,362)
Community development	484,749	-	484,749	484,749	1,073,135	(588,386)
Housing	-	-	-	-	203	(203)
Capital outlay	-	2,106,119	2,106,119	2,106,119	407,100	1,699,019
Debt service:						
Principal	-	195,688	195,688	195,688	195,688	-
Interest and fiscal charges	-	9,181	9,181	9,181	9,174	7
Total expenditures	17,358,585	3,705,988	21,064,573	21,064,573	20,669,009	395,564
REVENUES OVER (UNDER) EXPENDITURES	(1,397,525)	(1,082,060)	(2,479,585)	(2,479,585)	(3,471,894)	(992,309)
OTHER FINANCING SOURCES (USES):						
Transfers in	1,397,525	-	1,397,525	1,397,525	391,188	(1,006,337)
Transfers out	-	(996,661)	(996,661)	(996,661)	(1,103,219)	(106,558)
Total other financing sources (uses)	1,397,525	(996,661)	400,864	400,864	(712,031)	(1,112,895)
Net changes in fund balance	\$ -	\$ (2,078,721)	\$ (2,078,721)	\$ (2,078,721)	(4,183,925)	\$ (2,105,204)
FUND BALANCE:						
Beginning of year, as restated	6,922,694	2,078,721	9,001,415	9,001,415	4,058,048	(4,943,367)
End of year	\$ 6,922,694	\$ -	\$ 6,922,694	\$ 6,922,694	\$ (125,877)	\$ (7,048,571)

City of Calexico
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2015

Note 1 – Budgetary Information (Continued)

Budget Comparison Schedules, LTA Measure D Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 2,000,000	\$ 2,000,000	\$ 1,190,082	\$ (809,918)
Charges for services	-	-	100	100
Use of money and property	165,333	165,333	12,744	(152,589)
Total revenues	<u>2,165,333</u>	<u>2,165,333</u>	<u>1,202,926</u>	<u>(962,407)</u>
EXPENDITURES:				
Current:				
Public works	165,133	165,133	12,209	152,924
Capital outlay	2,000,000	2,000,000	467,273	1,532,727
Total expenditures	<u>2,165,133</u>	<u>2,165,133</u>	<u>479,482</u>	<u>1,685,651</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>200</u>	<u>200</u>	<u>723,444</u>	<u>723,244</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(141,325)	(141,325)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(141,325)</u>	<u>(141,325)</u>
Net changes in fund balance	<u>\$ 200</u>	<u>\$ 200</u>	582,119	<u>\$ 581,919</u>
FUND BALANCE:				
Beginning of year			<u>7,002,092</u>	
End of year			<u>\$ 7,584,211</u>	

City of Calexico
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2015

Note 1 – Budgetary Information (Continued)

Budget Comparison Schedules, Federal HOME Grant Special Revenue Fund

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 5,327,291	\$ 5,327,291	\$ 4,169,978	\$ (1,157,313)
Charges for services	-	-	-	-
Use of money and property	-	-	166	166
Total revenues	<u>5,327,291</u>	<u>5,327,291</u>	<u>4,170,144</u>	<u>(1,157,147)</u>
EXPENDITURES:				
Current:				
Housing	<u>4,927,308</u>	<u>4,927,308</u>	<u>4,439,195</u>	<u>488,113</u>
Total expenditures	<u>4,927,308</u>	<u>4,927,308</u>	<u>4,439,195</u>	<u>488,113</u>
REVENUES OVER (UNDER) EXPENDITURES				
	<u>399,983</u>	<u>399,983</u>	<u>(269,051)</u>	<u>(669,034)</u>
Net changes in fund balance	<u>\$ 399,983</u>	<u>\$ 399,983</u>	<u>(269,051)</u>	<u>\$ (669,034)</u>
FUND BALANCE:				
Beginning of year			<u>52,403</u>	
End of year			<u>\$ (216,648)</u>	

City of Calexico
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2015

Note 2 – Schedule of Changes in the Net Pension Liability and Related Ratios

Schedule of Changes in the Net Pension Liability and Related Ratios
Last Ten Fiscal Years*

City Miscellaneous Plan - 226

	2013-14
Total Pension Liability	
Service cost	\$ 693,757
Interest on total pension liability	2,997,774
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefit terms	-
Benefit payments, including refunds of employee contributions	(1,458,707)
Net change in total pension liability	2,232,824
Total pension liability - beginning	40,352,797
Total pension liability - ending (a)	\$ 42,585,621
Plan fiduciary net position	
Contributions - employer	\$ 344,145
Contributions - employee	396,410
Investment income (net of administrative expenses)	5,423,642
Benefit payments	(1,458,707)
Other	-
Net change in plan fiduciary net position	4,705,490
Plan fiduciary net position - beginning	31,613,511
Plan fiduciary net position - ending (b)	\$ 36,319,001
Net pension liability - ending (a)-(b)	\$ 6,266,620
Plan fiduciary net position as a percentage of the total pension liability	85.28%
Covered-employee payroll	\$ 5,851,522
Net pension liability as a percentage of covered-employee payroll	107.09%

Notes to Schedule:

Benefit changes: the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years of Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: there were no changes in assumptions.

* - Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

City of Calexico
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2015

Note 3 – Schedule of the City’s Proportionate Share of the Net Pension Liability and Related Ratios

Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Safety Classic Plan

	June 30, 2014 ¹
Measurement Period	0.15943%
City's Proportion of the Net Pension Liability	\$ 9,920,569
City's Proportionate Share of the net Pension Liability	\$ 4,775,866
City's Covered-Employee Payroll	207.72%
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	78.13%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	78.13%

California Public Employees' Retirement System ("CalPERS") PEPRSA Safety Fire Plan

	June 30, 2014 ¹
Measurement Period	0.00000%
City's Proportion of the Net Pension Liability	\$ 11
City's Proportionate Share of the net Pension Liability	\$ 45,744
City's Covered-Employee Payroll	0.02%
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	81.97%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	81.97%

California Public Employees' Retirement System ("CalPERS") PEPRSA Safety Police Plan

	June 30, 2014 ¹
Measurement Period	0.00000%
City's Proportion of the Net Pension Liability	\$ 62
City's Proportionate Share of the net Pension Liability	\$ 43,153
City's Covered-Employee Payroll	0.14%
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	81.44%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	81.44%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

City of Calexico
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2015

Note 4 – Schedule of the City’s Contributions

Schedule of the City's Contributions
Last Ten Fiscal Years

	2014-15 ¹	2013-14 ¹
California Public Employees' Retirement System ("CalPERS") Miscellaneous Classic Plan		
Actuarially Determined Contribution ²	\$ 389,770	\$ 344,145
Contribution in Relation to the Actuarially Determined Contribution ²	(389,770)	(344,145)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll ³	\$ 5,808,634	\$ 5,851,522
Contributions as a Percentage of Covered-Employee Payroll	6.71%	5.88%
California Public Employees' Retirement System ("CalPERS") Safety Classic Plan		
Actuarially Determined Contribution ²	\$ 1,255,861	\$ 1,291,173
Contribution in Relation to the Actuarially Determined Contribution ²	(1,255,861)	(1,291,173)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll ³	\$ 4,088,814	\$ 4,775,866
Contributions as a Percentage of Covered-Employee Payroll	30.71%	27.04%
California Public Employees' Retirement System ("CalPERS") PEPRSA Safety Fire Plan		
Actuarially Determined Contribution ²	\$ 6,252	\$ 5,532
Contribution in Relation to the Actuarially Determined Contribution ²	(6,252)	(5,532)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll ³	\$ 47,116	\$ 45,744
Contributions as a Percentage of Covered-Employee Payroll	13.27%	12.09%
California Public Employees' Retirement System ("CalPERS") PEPRSA Safety Fire Plan		
Actuarially Determined Contribution ²	\$ 13,069	\$ 8,518
Contribution in Relation to the Actuarially Determined Contribution ²	(13,069)	(8,518)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll ³	\$ 44,448	\$ 43,153
Contributions as a Percentage of Covered-Employee Payroll	29.40%	19.74%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as “side funds” are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Changes of Assumptions: There were no changes in assumptions.

City of Calexico
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2015

Note 5 – Schedule of Funding Progress of the Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	Unfunded Actuarial Liabilities as Percentage of Covered Payroll
7/1/2010	\$ -	\$ 15,971,379	\$ 15,971,379	0.00%	\$ 11,948,662	133.67%
7/1/2012	-	23,798,907	23,798,907	0.00%	11,252,680	211.50%
7/1/2014	-	28,036,815	28,036,815	0.00%	12,134,300	231.05%

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

City of Calexico
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015

	Special Revenue					
	Library Grant	Community Donations	Art in Public Places	Gas Tax	Traffic Safety	LTF Article 3
ASSETS						
Cash and investments	\$ 172,637	\$ 127,676	\$ 66,559	\$ 1,709,314	\$ -	\$ 306,020
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Intergovernmental	-	-	-	-	692	30,707
Due from other funds	-	-	-	-	-	-
Total assets	\$ 172,637	\$ 127,676	\$ 66,559	\$ 1,709,314	\$ 692	\$ 336,727
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 4,242	\$ -	\$ -	\$ 65,234	\$ -	\$ -
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	4,242	-	-	65,234	-	-
Fund Balances:						
Non-spendable	-	-	-	-	-	-
Restricted	168,395	127,676	66,559	1,644,080	692	336,727
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances	168,395	127,676	66,559	1,644,080	692	336,727
Total liabilities and fund balances	\$ 172,637	\$ 127,676	\$ 66,559	\$ 1,709,314	\$ 692	\$ 336,727

(Continued)

City of Calexico
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2015

	Special Revenue					
	TDA	Asset Forfeiture	Prop 172 Public Safety Sales Tax	State COPS Grant	Federal HIDTA Grant	
ASSETS						
Cash and investments	\$ 99,508	\$ 174,098	\$ -	\$ -	\$ -	\$ -
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Intergovernmental	-	44,771	48,136	214,995	-	201,567
Due from other funds	-	289,464	-	-	-	-
Total assets	\$ 99,508	\$ 508,333	\$ 48,136	\$ 214,995	\$ -	\$ 201,567
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,346
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	-	48,136	214,995	-	68,184
Unearned revenue	-	-	-	-	-	2,036
Total liabilities	-	-	48,136	214,995	-	201,566
Fund Balances:						
Non-spendable	-	-	-	-	-	-
Restricted	99,508	508,333	-	-	-	1
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances	99,508	508,333	-	-	-	1
Total liabilities and fund balances	\$ 99,508	\$ 508,333	\$ 48,136	\$ 214,995	\$ -	\$ 201,567

(Continued)

City of Calexico
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2015

	Special Revenue					
	Fire SAFER Grant	Office of Emergency Services	FEMA Grant	IVECA	General Plan Update	Solid Waste
ASSETS						
Cash and investments	\$ -	\$ 12,305	\$ 75,350	\$ -	\$ 8,083	\$ 666,510
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	159,782
Intergovernmental	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	\$ -	\$ 12,305	\$ 75,350	\$ -	\$ 8,083	\$ 826,292
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 222,250
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	222,250
Fund Balances:						
Non-spendable	-	-	-	-	-	-
Restricted	-	12,305	75,350	-	8,083	604,042
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances	-	12,305	75,350	-	8,083	604,042
Total liabilities and fund balances	\$ -	\$ 12,305	\$ 75,350	\$ -	\$ 8,083	\$ 826,292

(Continued)

City of Calexico
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2015

	Special Revenue					
	Business Improvement District	Successor Housing	State CalHOME Grant	Federal CDBG Grant	Sustainable Community Planning Grant	Local Housing Programs
ASSETS						
Cash and investments	\$ 44,206	\$ 1,690,334	\$ 3,363	\$ 502,987	\$ -	\$ 281,387
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	795	-	-	-	3,691
Intergovernmental	-	-	1,556,556	17,527	72,968	-
Due from other funds	-	1,834,519	-	-	-	-
Total assets	\$ 44,206	\$ 3,525,648	\$ 1,559,919	\$ 520,514	\$ 72,968	\$ 285,078
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 29,384	\$ 14,331
Accrued payroll	-	-	-	-	-	12,433
Due to other funds	-	-	1,087,513	67	50,711	464,351
Unearned revenue	-	-	-	-	-	-
Total liabilities	-	-	1,087,513	67	80,095	491,115
Fund Balances:						
Non-spendable	-	-	1,556,556	-	-	-
Restricted	44,206	3,525,648	-	520,447	-	-
Unassigned (deficit)	-	-	(1,084,150)	-	(7,127)	(206,037)
Total fund balances	44,206	3,525,648	472,406	520,447	(7,127)	(206,037)
Total liabilities and fund balances	\$ 44,206	\$ 3,525,648	\$ 1,559,919	\$ 520,514	\$ 72,968	\$ 285,078

(Continued)

City of Calexico
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2015

	Debt Service		Capital Projects			
	Measure H Debt Service	Measure D Debt Service	Capital Grants	DIF - Libraries	DIF - Parks/ Recreation	DIF - Parking
ASSETS						
Cash and investments	\$ 18,000	\$ -	\$ 836,146	\$ 136,428	\$ 463,276	\$ 250,844
Cash and investments with fiscal agents	1,001,676	1,708,302	-	-	-	-
Receivables:						
Accounts	-	-	418,464	-	-	-
Intergovernmental	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	\$ 1,019,676	\$ 1,708,302	\$ 1,254,610	\$ 136,428	\$ 463,276	\$ 250,844
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 501,791	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	-	792,273	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	-	-	1,294,064	-	-	-
Fund Balances:						
Non-spendable	-	-	-	-	-	-
Restricted	1,019,676	1,708,302	-	136,428	463,276	250,844
Unassigned (deficit)	-	-	(39,454)	-	-	-
Total fund balances	1,019,676	1,708,302	(39,454)	136,428	463,276	250,844
Total liabilities and fund balances	\$ 1,019,676	\$ 1,708,302	\$ 1,254,610	\$ 136,428	\$ 463,276	\$ 250,844

(Continued)

City of Calexico
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2015

Capital Projects

	DIF - General Government	DIF - Traffic	DIF - Police	DIF - Fire	Cole Road Improvements	Northwest Area Development
ASSETS						
Cash and investments	\$ 307,646	\$ 1,613,621	\$ 130,432	\$ -	\$ 1,506,995	\$ 514,987
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Due from other funds	-	-	41,850	-	-	-
Total assets	\$ 307,646	\$ 1,613,621	\$ 172,282	\$ -	\$ 1,506,995	\$ 514,987
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	-	-	249,387	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	-	-	-	249,387	-	-
Fund Balances:						
Non-spendable	-	-	-	-	-	-
Restricted	307,646	1,613,621	172,282	-	1,506,995	514,987
Unassigned (deficit)	-	-	-	(249,387)	-	-
Total fund balances	307,646	1,613,621	172,282	(249,387)	1,506,995	514,987
Total liabilities and fund balances	\$ 307,646	\$ 1,613,621	\$ 172,282	\$ -	\$ 1,506,995	\$ 514,987

(Continued)

City of Calexico
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2015

	Capital Projects			New River Grants	Other Governmental Funds
	East Area Facilities Plan	Corsair, LLC	Mega Park		
ASSETS					
Cash and investments	\$ 886,479	\$ -	\$ -	\$ -	\$12,605,191
Cash and investments with fiscal agents	-	-	-	-	2,709,978
Receivables:					
Accounts	-	-	2,371	247,711	832,814
Intergovernmental	-	-	-	-	2,187,919
Due from other funds	-	-	-	-	2,165,833
Total assets	\$ 886,479	\$ -	\$ 2,371	\$ 247,711	\$20,501,735
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 968,578
Accrued payroll	-	-	-	-	12,433
Due to other funds	-	276,422	7,955	186,803	3,446,797
Unearned revenue	-	-	-	-	2,036
Total liabilities	-	276,422	7,955	186,803	4,429,844
Fund Balances:					
Non-spendable	-	-	-	-	1,556,556
Restricted	886,479	-	-	60,908	16,383,496
Unassigned (deficit)	-	(276,422)	(5,584)	-	(1,868,161)
Total fund balances	886,479	(276,422)	(5,584)	60,908	16,071,891
Total liabilities and fund balances	\$ 886,479	\$ -	\$ 2,371	\$ 247,711	\$20,501,735

(Concluded)

City of Calexico
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue					
	Library Grant	Community Donations	Art in Public Places	Gas Tax	Traffic Safety	LTF Article 3
REVENUES:						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	27,849	-	-	1,115,615	-	30,707
Charges for services	-	-	15,612	-	-	-
Fines and forfeitures	-	-	-	-	12,990	-
Use of money and property	-	-	-	2,782	-	-
Other revenues	-	54,559	-	-	-	-
Total revenues	27,849	54,559	15,612	1,118,397	12,990	30,707
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	758,982	-	-
Culture and recreation	33,429	32,021	1,999	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	-	37,155	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	33,429	32,021	1,999	796,137	-	-
REVENUES OVER (UNDER) EXPENDITURES	(5,580)	22,538	13,613	322,260	12,990	30,707
OTHER FINANCING SOURCES (USES):						
Transfers in	-	105,138	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	105,138	-	-	-	-
Net change in fund balances	(5,580)	127,676	13,613	322,260	12,990	30,707
FUND BALANCES:						
Beginning of year, as restated (Note 18)	173,975	-	52,946	1,321,820	(12,298)	306,020
End of year	<u>\$ 168,395</u>	<u>\$ 127,676</u>	<u>\$ 66,559</u>	<u>\$ 1,644,080</u>	<u>\$ 692</u>	<u>\$ 336,727</u>

(Continued)

City of Calexico
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue					Operation Stonegarden
	TDA	Asset Forfeiture	Prop 172 Public Safety Sales Tax	State COPS Grant	Federal HIDTA Grant	
REVENUES:						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	42,647	681,379	185,834	214,995	28,356	417,854
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	-	488	-	-	-	-
Other revenues	-	-	-	-	-	-
Total revenues	42,647	681,867	185,834	214,995	28,356	417,854
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	412,967	274,255	267,176	28,356	59,460
Public works	4	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	143,372	40,115	8,494	-	358,393
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	4	556,339	314,370	275,670	28,356	417,853
REVENUES OVER (UNDER) EXPENDITURES	42,643	125,528	(128,536)	(60,675)	-	1
OTHER FINANCING SOURCES (USES):						
Transfers in	4	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	4	-	-	-	-	-
Net change in fund balances	42,647	125,528	(128,536)	(60,675)	-	1
FUND BALANCES:						
Beginning of year, as restated (Note 18)	56,861	382,805	128,536	60,675	-	-
End of year	\$ 99,508	\$ 508,333	\$ -	\$ -	\$ -	\$ 1

(Continued)

City of Calexico
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue					
	Fire SAFER Grant	Office of Emergency Services	FEMA Grant	IVECA	General Plan Update	Solid Waste
REVENUES:						
Other taxes	\$ -	\$ -	\$ -	\$ 76,042	\$ -	\$ 174,914
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	1,615,965
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	719
Other revenues	6,118	-	-	-	-	-
Total revenues	6,118	-	-	76,042	-	1,791,598
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	113,592	-	-
Public works	-	-	-	-	-	1,807,570
Culture and recreation	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	-	-	-	113,592	-	1,807,570
REVENUES OVER (UNDER) EXPENDITURES	6,118	-	-	(37,550)	-	(15,972)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	6,118	-	-	(37,550)	-	(15,972)
FUND BALANCES:						
Beginning of year, as restated (Note 18)	(6,118)	12,305	75,350	37,550	8,083	620,014
End of year	\$ -	\$ 12,305	\$ 75,350	\$ -	\$ 8,083	\$ 604,042

(Continued)

City of Calexico
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue					
	Business Improvement District	Successor Housing	State CalHOME Grant	Federal CDBG Grant	Sustainable Community Planning Grant	Local Housing Programs
REVENUES:						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	315,214	141,936	48,517
Charges for services	38,554	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	-	24,712	-	1,546	-	287
Other revenues	-	-	-	-	-	-
Total revenues	38,554	24,712	-	316,760	141,936	48,804
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing	31,347	354	2,668	805,278	79,644	693,571
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	31,347	354	2,668	805,278	79,644	693,571
REVENUES OVER (UNDER) EXPENDITURES	7,207	24,358	(2,668)	(488,518)	62,292	(644,767)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	7,207	24,358	(2,668)	(488,518)	62,292	(644,767)
FUND BALANCES:						
Beginning of year, as restated (Note 18)	36,999	3,501,290	475,074	1,008,965	(69,419)	438,730
End of year	\$ 44,206	\$ 3,525,648	\$ 472,406	\$ 520,447	\$ (7,127)	\$ (206,037)

(Continued)

City of Calexico
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2015

	Debt Service		Capital Projects			
	Measure H Debt Service	Measure D Debt Service	Capital Grants	DIF - Libraries	DIF - Parks/ Recreation	DIF - Parking
REVENUES:						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,420,525	1,594,881	-	-	-
Charges for services	-	-	-	41,326	86,198	-
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	794	9,152	-	230	780	422
Other revenues	-	-	-	-	-	-
Total revenues	794	1,429,677	1,594,881	41,556	86,978	422
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	1,649,098	-	-	-
Debt service:						
Principal	615,000	575,000	-	-	-	-
Interest and fiscal charges	386,140	555,600	-	-	-	-
Total expenditures	1,001,140	1,130,600	1,649,098	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	(1,000,346)	299,077	(54,217)	41,556	86,978	422
OTHER FINANCING SOURCES (USES):						
Transfers in	998,077	141,325	-	-	-	-
Transfers out	(10,863,096)	(11,105,872)	-	-	-	-
Total other financing sources (uses)	(9,865,019)	(10,964,547)	-	-	-	-
Net change in fund balances	(10,865,365)	(10,665,470)	(54,217)	41,556	86,978	422
FUND BALANCES:						
Beginning of year, as restated (Note 18)	11,885,041	12,373,772	14,763	94,872	376,298	250,422
End of year	\$ 1,019,676	\$ 1,708,302	\$ (39,454)	\$ 136,428	\$ 463,276	\$ 250,844

(Continued)

City of Calexico
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2015

	Capital Projects					
	DIF - General Government	DIF - Traffic	DIF - Police	DIF - Fire	Cole Road Improvements	Northwest Area Development
REVENUES:						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	30,624	65,934	40,254	41,897	-	-
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	518	2,717	290	-	-	-
Other revenues	-	-	-	-	-	-
Total revenues	31,142	68,651	40,544	41,897	-	-
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	38	-	-
Public works	-	-	-	-	-	285
Culture and recreation	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	-	325,416	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	-	-	-	325,454	-	285
REVENUES OVER (UNDER) EXPENDITURES	31,142	68,651	40,544	(283,557)	-	(285)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	31,142	68,651	40,544	(283,557)	-	(285)
FUND BALANCES:						
Beginning of year, as restated (Note 18)	276,504	1,544,970	131,738	34,170	1,506,995	515,272
End of year	\$ 307,646	\$ 1,613,621	\$ 172,282	\$ (249,387)	\$ 1,506,995	\$ 514,987

(Continued)

City of Calexico
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2015

	Capital Projects				Other Governmental Funds
	East Area Facilities Plan	Corsair, LLC	Mega Park	New River Grants	
REVENUES:					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ 250,956
Intergovernmental	-	-	-	562,799	6,829,108
Charges for services	-	105,824	-	-	2,082,188
Fines and forfeitures	-	-	-	-	12,990
Use of money and property	-	-	-	-	45,437
Other revenues	-	-	-	-	60,677
Total revenues	-	105,824	-	562,799	9,281,356
EXPENDITURES:					
Current:					
General government	-	17,021	1,182	-	18,203
Public safety	-	-	-	-	1,155,844
Public works	-	-	-	-	2,566,841
Culture and recreation	-	-	-	-	67,449
Housing	-	-	-	-	1,612,862
Capital outlay	-	102,640	-	401,412	3,066,095
Debt service:					
Principal	-	-	-	-	1,190,000
Interest and fiscal charges	-	-	-	-	941,740
Total expenditures	-	119,661	1,182	401,412	10,619,034
REVENUES OVER (UNDER) EXPENDITURES	-	(13,837)	(1,182)	161,387	(1,337,678)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	1,244,544
Transfers out	-	-	-	-	(21,968,968)
Total other financing sources (uses)	-	-	-	-	(20,724,424)
Net change in fund balances	-	(13,837)	(1,182)	161,387	(22,062,102)
FUND BALANCES:					
Beginning of year, as restated (Note 18)	886,479	(262,585)	(4,402)	(100,479)	38,133,993
End of year	<u>\$ 886,479</u>	<u>\$ (276,422)</u>	<u>\$ (5,584)</u>	<u>\$ 60,908</u>	<u>\$ 16,071,891</u>

(Concluded)

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ALL AGENCY FUNDS

City of Calexico
Combining Statement of Fiduciary Net Position
All Agency Funds
June 30, 2015

	Corsair 2013-1 Gran Plaza CFD	Bravo Victoria/Eastside Village Assessment CFD	Towncenter CFD	RDIP AD 90-1
ASSETS				
Cash and investments	\$ -	\$ 743,084	\$ 11,099	\$ 48,497
Cash and investments with fiscal agents	1,146,505	-	-	-
Accounts receivable	-	52,222	-	-
Total assets	\$ 1,146,505	\$ 795,306	\$ 11,099	\$ 48,497
LIABILITIES				
Due to bondholders	\$ 1,146,505	\$ 795,306	\$ 11,099	\$ 48,497
Total liabilities	\$ 1,146,505	\$ 795,306	\$ 11,099	\$ 48,497

(Continued)

City of Calexico
Combining Statement of Fiduciary Net Position
All Agency Funds (Continued)
June 30, 2015

	C.C.E.Z.	Hearthstone CFD	Venezia CFD	Total Agency Funds
ASSETS				
Cash and investments	\$ 33,639	\$ 969,212	\$ 23,699	\$ 1,829,230
Cash and investments with fiscal agents	-	1,358,398	-	2,504,903
Accounts receivable	-	214,023	-	266,245
Total assets	\$ 33,639	\$ 2,541,633	\$ 23,699	\$ 4,600,378
LIABILITIES				
Due to bondholders	\$ 33,639	\$ 2,541,633	\$ 23,699	\$ 4,600,378
Total liabilities	\$ 33,639	\$ 2,541,633	\$ 23,699	\$ 4,600,378

(Concluded)