



CITY OF CALEXICO

Presentation to the City Council
For the Fiscal Year Ended June 30, 2016

May 9, 2017

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Scope of Work

Scope of Work

- **Financial Audit**
 - City of Calexico's Basic Financial Statements
- **Compliance Audit**
 - Single Audit
 - TDA Compliance
- **Agreed-Upon Procedures**
 - GANN Limit Compliance



Audit Responsibilities

Management Responsibilities

- Responsible for the Financial Statements
- Present the Financial Statements in accordance with Accounting Principles Generally Accepted in the United States of America
- Adopt sound accounting policies
- Establish and maintain internal controls over financial reporting and compliance
- Provide evidence supporting the amounts and disclosures in the financial statements
- Prevent and detect fraud

Auditors' Responsibilities

- Perform the audit in conformity with Auditing Standards Generally Accepted in the United States of America and the Standards applicable to Financial Audits contained in *Government Auditing Standards*
- Communicate with “Those Charged with Governance”
- Assess audit risk of internal control over financial reporting and compliance
- Determine fairness presentation of the financial statements
- Render opinions



Overview of the Financial Statements

Comprehensive Annual Financial Report

Financial Section

Independent Auditors' Reports

Basic Financial Statements:

Government-Wide Financial Statements

Fund Financial Statements

Notes to Basic Financial Statements

Required Supplementary Information (Unaudited)

Budgetary Information

Schedule of Changes in Proportionate Share of NPL and Related Ratio

Schedule of Contributions

Schedule of Funding Progress - OPEB

Supplementary Information

City of Calexico
Government-Wide Summary
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets	<u>\$ 92,916,431</u>	<u>\$ 82,086,379</u>	<u>\$ 175,002,810</u>
Deferred Outflows of Resources	<u>1,878,075</u>	<u>133,551</u>	<u>2,011,626</u>
Liabilities	<u>61,246,148</u>	<u>16,797,088</u>	<u>78,043,236</u>
Deferred Inflows of Resources	<u>2,084,093</u>	<u>330,722</u>	<u>2,414,815</u>
Net Position:			
Net investments in capital assets	29,957,497	35,247,755	65,205,252
Restricted	39,935,811	4,274,581	44,210,392
Unrestricted (Deficit)	<u>(38,429,043)</u>	<u>25,569,784</u>	<u>(12,859,259)</u>
Total Net Position	<u><u>\$ 31,464,265</u></u>	<u><u>\$ 65,092,120</u></u>	<u><u>\$ 96,556,385</u></u>

City of Calexico
Government-Wide Summary
Statement of Activities
For the Year Ended June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Expenses	<u>\$ (32,257,863)</u>	<u>\$ (9,155,121)</u>	<u>\$ (41,412,984)</u>
Program Revenues			
Charges for services	4,493,287	12,120,274	16,613,561
Operating grants and contributions	2,645,307	-	2,645,307
Capital grants and contributions	7,539,045	1,384,011	8,923,056
Total program revenues	<u>14,677,639</u>	<u>13,504,285</u>	<u>28,181,924</u>
Net Cost of Services	(17,580,224)	4,349,164	(13,231,060)
General Revenues	<u>14,110,905</u>	<u>48,169</u>	<u>14,159,074</u>
Change in Net Position	<u>\$ (3,469,319)</u>	<u>\$ 4,397,333</u>	<u>\$ 928,014</u>

City of Calexico
General Fund
Condensed Balance Sheet
June 30, 2016

Assets		\$ 1,947,546
		<u> </u>
Liabilities		
Current Liabilities	\$ 2,489,724	
Advances from Other Funds	3,500,000	
		<u> </u>
Total Liabilities		<u>5,989,724</u>
Fund Balance		
Unassigned (deficit)		<u>(4,042,178)</u>
Total Fund Balance		<u>(4,042,178)</u>
Total Liabilities and Fund Balance		
	\$	<u>(4,042,178)</u>

City has taken a key step to restore General Fund health by budgeting 1st of four installment payments back to Wastewater Fund in 2016-17, reflecting active management of this issue.

City of Calexico
General Fund
Condensed Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2016

Revenues	\$ 16,454,161
Expenditures	<u>(19,254,664)</u>
Revenues over Expenditures	(2,800,503)
Other Financing Sources and Uses	
Transfers (Net)	<u>(1,126,703)</u>
Change in Fund Balance	<u><u>\$ (3,927,206)</u></u>



Financial Indicators and Key Pension Information

City of Calexico
Governmental Activities
Net Cost of Services to Tax Revenues
For the Year Ended June 30, 2016

Net Cost of Services	\$ 17,580,224
Tax Revenues	<u>13,727,053</u>
Ratio	<u><u>128.07%</u></u>

City of Calexico
General Fund
Unassigned Fund Balance to Annual Expenditures
For the Year Ended June 30, 2016

Unassigned Fund Balance	\$ (4,042,178)
Annual Expenditures	<u>19,254,664</u>
Ratio	<u><u>-20.99%</u></u>

GASB 68 and 71 – The New Pension Standards As of June 30, 2015 (Measurement Date)

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Total</u>
Net Pension Liabilities @ 7.5%	<u>\$ (7,438,902)</u>	<u>(10,367,155)</u>	<u>(17,806,057)</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>82.95%</u>	<u>77.82%</u>	

GASB 45 – Other Postemployment Benefits As of July 1, 2014 (Measurement Date)

Actuarial Value of Assets	\$ <u>-</u>
Actuarial Accrued Liabilities	<u>28,036,815</u>
Unfunded Actuarial Accrued Liabilities	<u>28,036,815</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll	<u>12,134,300</u>
UAAL as a % of Payroll	<u>231.05%</u>



Audit Results

Audit Results – Financial Statements Audit

- **Opinions**

- ***Unmodified Opinions are issued to all Opinion Units***
 - Financial Statements are fairly presented in all material respect
 - Accounting policies have been consistently applied
 - Estimates are reasonable
 - Disclosures are properly reflected in the financial statements
- **Emphasis of Matters**
 - Improper Stewardship of Funds
 - Going Concern
 - Changes in CalPERS Discount Rate

Other Results

- No disagreement with Management
- Significant deficiencies and material weaknesses were identified in internal control over financial reporting and compliance
- No accounting issues
- No material fraudulent activities were discovered

Findings 2016-001 – Delay in Financial Reporting (Significant Deficiency)

The City has experienced significant delays in the preparation and issuance of the 2016 basic financial statements and its Single Audit required under Uniform Guidance.

Management is responsible for providing timely and accurate financial information. Since the City has expended over \$750,000 of expenditures of federal awards, Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award (Uniform Guidance), states the City is required to submit the Data Collection Form and the reporting package to the Federal Audit Clearinghouse and the State Controller's Office, which include the Basic Financial Statements of the City, within the earlier of 30 days after receipt of auditor's report, or nine month after the end of the audit period.

Audit Results – Single Audit

- **Opinions**
 - ***Qualified Opinion is issued***
 - *CFDA #14.239 HOME Investment Partnership Program*
 - *Total Expenditures \$511,924*
 - ***Unmodified Opinion is issued***
 - *CFDA #20.205 Highway Planning and Construction Cluster*
 - *Total Expenditures \$1,090,675*

Findings 2016-002 – Program Income (Material Weakness)

The City was unable to produce an accurate internal HOME notes receivable ledger and program income ledger during the audit. The City has for years relied on an outside contractor to maintain their notes receivable portfolio and were not able to produce evidence during the audit that they maintained and reconciled a receivable ledger of their HOME portfolio which effects the correct recording of program income.

Questioned Costs:

Not determinable.

Findings 2016-003 – Reporting (Material Weakness)

The City did not submit the following reports required for compliance in order to determine that the City was in compliance with Uniform Guidance, State of California requirements, and grant requirements:

Home Investment Partnership Program (CFDA# 14.239):

- Quarterly State Performance Report
- State HOME Project Monthly Status Report
- Quarterly State Program Income Report

Questioned Costs:

No specific questioned costs were identified.



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