

# **City of Calexico**

Calexico, California

## **Basic Financial Statements and Independent Auditors' Report**

*For the Year Ended June 30, 2017*





**City of Calexico**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2017**

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**Basic Financial Statements**  
**For the Year Ended June 30, 2017**

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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, 2017, 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, 2017, 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 Matters**

### *Going Concern*

The accompanying financial statements have been prepared assuming the City will continue as a going concern. 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. As of June 30, 2017, the General Fund has a negative fund balance and cash overdrawn of \$(3,080,218) and \$(1,127,268), 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.

### *Change in CalPERS Discount Rate*

As discussed in Note 9, on December 21, 2017, the CalPERS Board of Administration approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent to 7.00 percent over the next three years. Lowering the discount rate means plans will see increases in normal costs and the accrued liabilities, which will result in higher required contributions. The actual impact cannot be determined at this time, but is expected to be significant. Our opinion is not modified with respect to this 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 93 through 100 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.

To the Honorable City Council  
of the City of Calexico  
Calexico, California  
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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 101 through 130 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2018, 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  
April 11, 2018

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**City of Calexico**  
**Statement of Net Position**  
**June 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 24,206,316	\$ 27,970,694	\$ 52,177,010
Receivables:			
Accounts	885,175	2,729,282	3,614,457
Intergovernmental	3,361,160	39,300	3,400,460
Internal balances	(3,042,380)	3,042,380	-
Inventories and prepaid items	5,328	33,427	38,755
Deposits	175,000	-	175,000
<b>Total current assets</b>	<b>25,590,599</b>	<b>33,815,083</b>	<b>59,405,682</b>
<b>Noncurrent assets:</b>			
Cash and investments with fiscal agents	16,185,176	989,591	17,174,767
Capital assets:			
Non-depreciable assets	12,754,020	294,661	13,048,681
Depreciable assets, net	43,910,198	47,394,107	91,304,305
Total capital assets, net	56,664,218	47,688,768	104,352,986
<b>Total noncurrent assets</b>	<b>72,849,394</b>	<b>48,678,359</b>	<b>121,527,753</b>
<b>Total assets</b>	<b>98,439,993</b>	<b>82,493,442</b>	<b>180,933,435</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension-related deferred outflows of resources	4,947,891	390,670	5,338,561
<b>Total deferred outflows of resources</b>	<b>4,947,891</b>	<b>390,670</b>	<b>5,338,561</b>

**City of Calexico**  
**Statement of Net Position (Continued)**  
**June 30, 2017**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 4,246,012	\$ 290,044	\$ 4,536,056
Accrued payroll	170,824	66,744	237,568
Interest payable	201,400	119,212	320,612
Unearned revenue	45,648	-	45,648
Compensated absences - due within one year	184,066	19,797	203,863
Claims payable - due within one year	545,610	-	545,610
Long-term debt - due within one year	1,209,129	415,000	1,624,129
<b>Total current liabilities</b>	<b>6,602,689</b>	<b>910,797</b>	<b>7,513,486</b>
<b>Noncurrent liabilities:</b>			
Deposits payable	94,124	216,968	311,092
Compensated absences - due in more than one year	961,351	263,019	1,224,370
Net OPEB obligation	12,448,933	2,950,071	15,399,004
Aggregate net pension liability	19,717,604	3,114,132	22,831,736
Claims payable - due in more than one year	1,185,657	-	1,185,657
Long-term debt - due in more than one year	23,757,907	12,460,000	36,217,907
<b>Total noncurrent liabilities</b>	<b>58,165,576</b>	<b>19,004,190</b>	<b>77,169,766</b>
<b>Total liabilities</b>	<b>64,768,265</b>	<b>19,914,987</b>	<b>84,683,252</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension-related deferred inflows of resources	1,590,556	372,772	1,963,328
<b>Total deferred inflows of resources</b>	<b>1,590,556</b>	<b>372,772</b>	<b>1,963,328</b>
<b>NET POSITION</b>			
Net investment in capital assets	31,697,182	34,813,768	66,510,950
Restricted for:			
Special projects	16,263,159	-	16,263,159
Debt service	2,936,246	989,591	3,925,837
Capital projects	19,530,324	2,897,463	22,427,787
Total restricted	38,729,729	3,887,054	42,616,783
Unrestricted (deficit)	(33,397,848)	23,895,531	(9,502,317)
<b>Total net position</b>	<b>\$ 37,029,063</b>	<b>\$ 62,596,353</b>	<b>\$ 99,625,416</b>

**City of Calexico**  
**Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2017**

<b>Functions/Programs</b>	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 2,199,243	\$ 218,068	\$ 37,198	\$ 1,304	\$ 256,570
Public safety	12,215,900	1,499,409	992,878	10,800	2,503,087
Public works	3,997,245	1,846,306	750,255	3,596,939	6,193,500
Culture and recreation	1,750,745	110,136	101,172	17,649	228,957
Community development	923,048	690,135	-	1,198,912	1,889,047
Housing	505,846	-	1,709,057	-	1,709,057
Depreciation (unallocated)	3,488,673	-	-	-	-
Interest and fiscal charges	1,069,516	-	-	-	-
<b>Total governmental activities</b>	<b>26,150,216</b>	<b>4,364,054</b>	<b>3,590,560</b>	<b>4,825,604</b>	<b>12,780,218</b>
<b>Business-type activities:</b>					
Water	5,927,674	6,719,938	-	-	6,719,938
Wastewater	4,068,182	5,592,677	-	29,300	5,621,977
Airport	628,511	284,009	-	59,187	343,196
<b>Total business-type activities</b>	<b>10,624,367</b>	<b>12,596,624</b>	<b>-</b>	<b>88,487</b>	<b>12,685,111</b>
<b>Total primary government</b>	<b>\$ 36,774,583</b>	<b>\$ 16,960,678</b>	<b>\$ 3,590,560</b>	<b>\$ 4,914,091</b>	<b>\$ 25,465,329</b>

**City of Calexico**  
**Statement of Activities and Changes in Net Position (Continued)**  
**For the Year Ended June 30, 2017**

<b>Functions/Programs</b>	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ (1,942,673)	\$ -	\$ (1,942,673)
Public safety	(9,712,813)	-	(9,712,813)
Public works	2,196,255	-	2,196,255
Culture and recreation	(1,521,788)	-	(1,521,788)
Community development	965,999	-	965,999
Housing	1,203,211	-	1,203,211
Depreciation (unallocated)	(3,488,673)	-	(3,488,673)
Interest and fiscal charges	(1,069,516)	-	(1,069,516)
<b>Total governmental activities</b>	<b>(13,369,998)</b>	<b>-</b>	<b>(13,369,998)</b>
<b>Business-type activities:</b>			
Water	-	792,264	792,264
Wastewater	-	1,553,795	1,553,795
Airport	-	(285,315)	(285,315)
<b>Total business-type activities</b>	<b>-</b>	<b>2,060,744</b>	<b>2,060,744</b>
<b>Total primary government</b>	<b>(13,369,998)</b>	<b>2,060,744</b>	<b>(11,309,254)</b>
<b>General revenues:</b>			
Taxes:			
Property taxes	5,191,967	-	5,191,967
Sales taxes	6,832,936	-	6,832,936
Transit occupancy taxes	289,565	-	289,565
Franchise fees	730,121	-	730,121
Non-regulatory business license tax	804,632	-	804,632
<b>Total taxes</b>	<b>13,849,221</b>	<b>-</b>	<b>13,849,221</b>
Investment earnings	364,086	266,234	630,320
Miscellaneous	116,908	6,653	123,561
Capital contributions from Successor Agency	51,714	-	51,714
Loss on sale of capital assets	-	(1,423,534)	(1,423,534)
<b>Total general revenues</b>	<b>14,381,929</b>	<b>(1,150,647)</b>	<b>13,231,282</b>
<b>Changes in net position</b>	<b>1,011,931</b>	<b>910,097</b>	<b>1,922,028</b>
<b>Net position - beginning of year, as restated (Note 18)</b>	<b>36,017,132</b>	<b>61,686,256</b>	<b>97,703,388</b>
<b>Net position - end of year</b>	<b>\$ 37,029,063</b>	<b>\$ 62,596,353</b>	<b>\$ 99,625,416</b>

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## **FUND FINANCIAL STATEMENTS**

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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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**General Fund** – This is the primary operating fund of the City. It is used to account for all revenues and expenditures that are not required to be accounted for in another fund.

**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.

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

**Measure H Capital Projects Fund** – This fund accounts for the capital outlay of bond proceeds issued to finance a fire station and various park and recreation improvements.

**City of Calexico**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	Major Funds		
	General Fund	LTA Measure D Special Revenue Fund	Measure D Capital Projects Fund
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 9,478,497	\$ -
Cash and investments with fiscal agents	-	-	6,098,560
Receivables:			
Accounts	209,878	-	-
Intergovernmental	1,439,635	-	-
Due from other funds	-	-	-
Inventories and prepaid items	475	-	-
<b>Total assets</b>	<b>\$ 1,649,988</b>	<b>\$ 9,478,497</b>	<b>\$ 6,098,560</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 510,544	\$ 14,221	\$ 1,780,489
Accrued payroll	170,824	-	-
Due to other funds	1,127,268	-	964
Deposits payable	94,124	-	-
Advances from other funds	2,827,446	-	-
Unearned revenue	-	-	-
<b>Total liabilities</b>	<b>4,730,206</b>	<b>14,221</b>	<b>1,781,453</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>			
Non-spendable	475	-	-
Restricted	-	9,464,276	4,317,107
Unassigned (deficit)	(3,080,693)	-	-
<b>Total fund balances</b>	<b>(3,080,218)</b>	<b>9,464,276</b>	<b>4,317,107</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,649,988</b>	<b>\$ 9,478,497</b>	<b>\$ 6,098,560</b>

**City of Calexico**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**June 30, 2017**

	<u>Major Funds</u>		
	Measure H	Non-Major	Total
	Capital Projects	Governmental	Governmental
	Fund	Funds	Funds
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 14,706,357	\$ 24,184,854
Cash and investments with fiscal agents	7,150,370	2,936,246	16,185,176
Receivables:			
Accounts	-	515,498	725,376
Intergovernmental	-	1,871,214	3,310,849
Due from other funds	-	2,485,130	2,485,130
Inventories and prepaid items	-	-	475
<b>Total assets</b>	<u>\$ 7,150,370</u>	<u>\$ 22,514,445</u>	<u>\$ 46,891,860</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 2,217	1,671,164	\$ 3,978,635
Accrued payroll	-	-	170,824
Due to other funds	58,478	1,915,974	3,102,684
Deposits payable	-	-	94,124
Advances from other funds	-	-	2,827,446
Unearned revenue	-	45,648	45,648
<b>Total liabilities</b>	<u>60,695</u>	<u>3,632,786</u>	<u>10,219,361</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue	-	76,677	76,677
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>76,677</u>	<u>76,677</u>
<b>Fund Balances:</b>			
Non-spendable	-	-	475
Restricted	7,089,675	19,046,749	39,917,807
Unassigned (deficit)	-	(241,767)	(3,322,460)
<b>Total fund balances</b>	<u>7,089,675</u>	<u>18,804,982</u>	<u>36,595,822</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 7,150,370</u>	<u>\$ 22,514,445</u>	<u>\$ 46,891,860</u>

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**City of Calexico**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2017**

<b>Total Fund Balances - Total Governmental Funds</b>	<u>\$ 36,595,822</u>
Amounts reported for governmental activities in the Statement of Net Assets were different because:	
Capital assets used in governmental activities were not current financial resources and therefore were not reported in the governmental funds.	
Nondepreciable	12,754,020
Depreciable, net of accumulated depreciation	<u>43,910,198</u>
Total capital assets	<u>56,664,218</u>
Certain taxes and fees will be collected after fiscal year end, but are not available soon enough to pay for current period's expenditures, and therefore are reported as deferred revenue in the governmental funds.	
	76,677
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.	
Compensated absences	(1,145,417)
Claims payable - due within one year	(545,610)
Long-term liabilities - due within one year	(1,209,129)
Claims payable - due in more than one year	(1,185,657)
Long-term liabilities - due in more than one year	<u>(23,757,907)</u>
Total reported in Government-Wide Statement of Net Position	<u>(27,843,720)</u>
Less: amount reported in Internal Service Funds	
Long-term liabilities - due within one year	9,129
Long-term liabilities - due in more than one year	2,046,192
Claims payable - due within one year	545,610
Claims payable - due in more than one year	<u>1,185,657</u>
Total reported in Internal Service Funds	<u>3,786,588</u>
Net long-term liabilities	<u>(24,057,132)</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.	
	1,787,996
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.	
	(19,717,604)
Actuarially determined pension deferred outflows of resources are reported in the government-wide statements:	
	3,159,895
Actuarially determined pension deferred inflows of resources are reported in the government-wide statements:	
	(1,590,556)
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.	
	(167,125)
Net OPEB liability was not due and payable in the current period and therefore was not reported in the governmental funds.	
	(12,448,933)
Internal service funds were used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds were included in governmental activities in the Government-Wide Statement of Net Position.	
	<u>(3,274,195)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 37,029,063</u></u>

**City of Calexico**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	Major Funds		
	General Fund	LTA Measure D Special Revenue Fund	Measure D Capital Projects Fund
<b>REVENUES:</b>			
Property taxes	\$ 2,377,720	\$ -	\$ -
Other taxes	7,854,629	-	-
Licenses and permits	1,587,482	-	-
Intergovernmental	3,586,397	1,209,391	-
Charges for services	1,404,434	-	-
Fines and forfeitures	207,913	-	-
Use of money and property	217,137	34,121	29,593
Other revenues	6,041	-	-
<b>Total revenues</b>	<b>17,241,753</b>	<b>1,243,512</b>	<b>29,593</b>
<b>EXPENDITURES:</b>			
Current:			
General government	1,927,582	-	-
Public safety	10,223,314	-	-
Public works	869,186	-	-
Culture and recreation	1,007,239	-	-
Community development	727,786	-	-
Housing	140,284	-	-
Contribution to CFD 2013-1	284,822	-	-
Capital outlay	332,677	167,954	1,781,135
Debt service:			
Principal	199,477	-	-
Interest and fiscal charges	75,387	-	-
<b>Total expenditures</b>	<b>15,787,754</b>	<b>167,954</b>	<b>1,781,135</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,453,999</b>	<b>1,075,558</b>	<b>(1,751,542)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	4,860	-	-
Transfers out	(1,023,324)	-	-
<b>Total other financing sources (uses)</b>	<b>(1,018,464)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>435,535</b>	<b>1,075,558</b>	<b>(1,751,542)</b>
<b>FUND BALANCES:</b>			
Beginning of year, as restated (Note 18)	(3,515,753)	8,388,718	6,068,649
End of year	\$ (3,080,218)	\$ 9,464,276	\$ 4,317,107

**City of Calexico**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	<u>Major Funds</u>		
	Measure H	Non-Major	Total
	Capital Projects	Governmental	Governmental
	Fund	Funds	Funds
<b>REVENUES:</b>			
Property taxes	\$ -	\$ -	\$ 2,377,720
Other taxes	-	303,873	8,158,502
Licenses and permits	-	-	1,587,482
Intergovernmental	-	5,113,498	9,909,286
Charges for services	-	2,947,058	4,351,492
Fines and forfeitures	-	-	207,913
Use of money and property	9,256	80,281	370,388
Other revenues	-	61,007	67,048
<b>Total revenues</b>	<u>9,256</u>	<u>8,505,717</u>	<u>27,029,831</u>
<b>EXPENDITURES:</b>			
Current:			
General government	-	60,370	1,987,952
Public safety	-	399,115	10,622,429
Public works	-	2,793,231	3,662,417
Culture and recreation	-	183,401	1,190,640
Community development	-	14,810	742,596
Housing	-	276,649	416,933
Contribution to CFD 2013-1	-	-	284,822
Capital outlay	60,694	2,059,056	4,401,516
Debt service:			
Principal	-	1,160,000	1,359,477
Interest and fiscal charges	-	967,750	1,043,137
<b>Total expenditures</b>	<u>60,694</u>	<u>7,914,382</u>	<u>25,711,919</u>
<b>REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<u>(51,438)</u>	<u>591,335</u>	<u>1,317,912</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	1,246,492	1,251,352
Transfers out	-	(228,028)	(1,251,352)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>1,018,464</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(51,438)	1,609,799	1,317,912
<b>FUND BALANCES:</b>			
Beginning of year, as restated (Note 18)	<u>7,141,113</u>	<u>17,195,183</u>	<u>35,277,910</u>
End of year	<u>\$ 7,089,675</u>	<u>\$ 18,804,982</u>	<u>\$ 36,595,822</u>

**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, 2017**

---

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,317,912

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 (capital outlay expenditures included \$55,068 of repairs and maintenance).	4,336,551
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.	(3,488,673)
Contribution of land to the City from the Successor Agency increased Net Position.	51,714
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).	(4,179,669)
The net effect of various miscellaneous transactions involving pension plans (i.e. deferred inflow/outflow amortization, contributions after measurement date) increased Net Position.	3,563,353
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.	153,569
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	1,160,000
Capital lease payment	199,477
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
Unavailable revenues were reported as revenue in the Governmental Funds during FY16-17, but were reported as revenues in the Government-Wide Statement of Statement of Activities in FY15-16	76,677
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.	7,896
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).	(1,664,127)
Internal service funds were used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds was reported with governmental activities.	(591,964)
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 1,011,931</u></u>

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# PROPRIETARY FUND FINANCIAL STATEMENTS

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**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 Fund** – This fund is used to account for the operation and maintenance of the City's airport.

**City of Calexico**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	Major Funds		Non-Major Fund	Total	Internal Service Funds
	Water	Wastewater	Airport		
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and investments	\$ 13,135,231	\$ 14,835,213	\$ 250	\$ 27,970,694	21,462
Accounts receivable, net	2,259,061	466,537	3,684	2,729,282	159,799
Intergovernmental receivables	-	29,300	10,000	39,300	50,311
Due from other funds	-	-	214,934	214,934	452,931
Deposits	-	-	-	-	175,000
Inventories and prepaid items	298	298	32,831	33,427	4,853
<b>Total current assets</b>	<b>15,394,590</b>	<b>15,331,348</b>	<b>261,699</b>	<b>30,987,637</b>	<b>864,356</b>
<b>Noncurrent assets:</b>					
Cash and investments with fiscal agents	989,591	-	-	989,591	-
Advances to other funds	-	2,827,446	-	2,827,446	-
Capital assets:					
Non-depreciable	235,361	59,300	-	294,661	-
Depreciable, net	34,044,341	8,987,200	4,362,566	47,394,107	-
Total net capital assets	34,279,702	9,046,500	4,362,566	47,688,768	-
<b>Total noncurrent assets</b>	<b>35,269,293</b>	<b>11,873,946</b>	<b>4,362,566</b>	<b>51,505,805</b>	<b>-</b>
<b>Total assets</b>	<b>50,663,883</b>	<b>27,205,294</b>	<b>4,624,265</b>	<b>82,493,442</b>	<b>864,356</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension-related deferred outflows of resources	212,790	177,880	-	390,670	-
<b>Total deferred outflows of resources</b>	<b>212,790</b>	<b>177,880</b>	<b>-</b>	<b>390,670</b>	<b>-</b>

**City of Calexico**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	Major Funds		Non-Major Fund	Total	Internal Service Funds
	Water	Wastewater	Airport		
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	152,668	132,519	4,857	290,044	267,377
Accrued payroll	38,423	28,321	-	66,744	-
Interest payable	119,212	-	-	119,212	34,275
Due to other funds	-	-	-	-	50,311
Compensated absences - due within one year	7,136	12,661	-	19,797	-
Claims payable - due within one year	-	-	-	-	545,610
Long-term debt - due within one year	415,000	-	-	415,000	9,129
<b>Total current liabilities</b>	<b>732,439</b>	<b>173,501</b>	<b>4,857</b>	<b>910,797</b>	<b>906,702</b>
<b>Noncurrent liabilities:</b>					
Deposits payable	216,968	-	-	216,968	-
Compensated absences - due in more than one year	94,805	168,214	-	263,019	-
Net OPEB Obligation	1,701,094	1,248,977	-	2,950,071	-
Aggregate net pension liability	1,696,206	1,417,926	-	3,114,132	-
Claims payable - due in more than one year	-	-	-	-	1,185,657
Long term debt - due in more than one year	12,460,000	-	-	12,460,000	2,046,192
<b>Total noncurrent liabilities</b>	<b>16,169,073</b>	<b>2,835,117</b>	<b>-</b>	<b>19,004,190</b>	<b>3,231,849</b>
<b>Total liabilities</b>	<b>16,901,512</b>	<b>3,008,618</b>	<b>4,857</b>	<b>19,914,987</b>	<b>4,138,551</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension-related deferred inflows of resources	203,041	169,731	-	372,772	-
<b>Total deferred inflows of resources</b>	<b>203,041</b>	<b>169,731</b>	<b>-</b>	<b>372,772</b>	<b>-</b>
<b>NET POSITION</b>					
Net investment in capital assets	21,404,702	9,046,500	4,362,566	34,813,768	-
Restricted for:					
Debt service	989,591	-	-	989,591	-
Capital projects	2,715,496	181,967	-	2,897,463	-
Unrestricted (deficit)	8,662,331	14,976,358	256,842	23,895,531	(3,274,195)
<b>Total net position</b>	<b>\$ 33,772,120</b>	<b>\$ 24,204,825</b>	<b>\$ 4,619,408</b>	<b>\$ 62,596,353</b>	<b>\$ (3,274,195)</b>

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**City of Calexico**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	Major Funds		Non-Major Fund	Total	Internal Service Funds
	Water	Wastewater	Airport		
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 6,719,938	\$ 5,592,677	\$ 284,009	\$ 12,596,624	\$ 4,496,073
Other revenue	6,591	-	62	6,653	-
<b>Total operating revenues</b>	<b>6,726,529</b>	<b>5,592,677</b>	<b>284,071</b>	<b>12,603,277</b>	<b>4,496,073</b>
<b>OPERATING EXPENSES:</b>					
Salaries and benefits	2,035,313	1,786,509	66,755	3,888,577	-
Material, supplies, and operational expenses	1,997,864	1,782,829	300,283	4,080,976	-
Insurance	-	-	-	-	622,915
Claim payments	-	-	-	-	3,824,861
Claims administration	-	-	-	-	609,911
Depreciation	1,317,960	498,844	261,473	2,078,277	-
<b>Total operating expenses</b>	<b>5,351,137</b>	<b>4,068,182</b>	<b>628,511</b>	<b>10,047,830</b>	<b>5,057,687</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,375,392</b>	<b>1,524,495</b>	<b>(344,440)</b>	<b>2,555,447</b>	<b>(561,614)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Intergovernmental	-	29,300	59,187	88,487	-
Investment earnings	47,625	123,478	95,131	266,234	3,925
Interest expense	(576,537)	-	-	(576,537)	(34,275)
Loss on disposal of assets	-	(1,423,534)	-	(1,423,534)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(528,912)</b>	<b>(1,270,756)</b>	<b>154,318</b>	<b>(1,645,350)</b>	<b>(30,350)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>846,480</b>	<b>253,739</b>	<b>(190,122)</b>	<b>910,097</b>	<b>(591,964)</b>
<b>TRANSFERS:</b>					
Transfers in	-	-	-	-	118,072
Transfers out	-	-	-	-	(118,072)
<b>Total transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>846,480</b>	<b>253,739</b>	<b>(190,122)</b>	<b>910,097</b>	<b>(591,964)</b>
<b>NET POSITION:</b>					
Beginning of year, as restated (Note 18)	32,925,640	23,951,086	4,809,530	61,686,256	(2,682,231)
End of year	<u>\$ 33,772,120</u>	<u>\$ 24,204,825</u>	<u>\$ 4,619,408</u>	<u>\$ 62,596,353</u>	<u>\$ (3,274,195)</u>

**City of Calexico**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	Major Funds		Non-Major Fund	Total	Internal Service Funds
	Water	Wastewater	Airport		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers and users	\$ 6,590,921	\$ 5,590,352	\$ 279,697	\$ 12,460,970	\$ 4,340,020
Cash payments to suppliers for goods and services	(2,038,624)	(1,747,110)	(316,148)	(4,101,882)	-
Cash payments to employees for services	(1,572,170)	(1,234,390)	(66,755)	(2,873,315)	(3,906,843)
<b>Net cash provided by (used in) operating activities</b>	<u>2,980,127</u>	<u>2,608,852</u>	<u>(103,206)</u>	<u>5,485,773</u>	<u>433,177</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Short-term interfund borrowing (lending)	-	-	(214,934)	(214,934)	(371,225)
Advances made to other funds	-	672,554	-	672,554	-
Transfers in	-	-	-	-	118,072
Transfers out	-	-	-	-	(118,072)
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>-</u>	<u>672,554</u>	<u>(214,934)</u>	<u>457,620</u>	<u>(371,225)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	(96,926)	(132,508)	-	(229,434)	-
Intergovernmental capital grants	-	-	90,553	90,553	-
Principal paid on capital-related debt	(400,000)	(170,268)	-	(570,268)	(164,641)
Interest paid on capital-related debt	(579,621)	(8,077)	-	(587,698)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(1,076,547)</u>	<u>(310,853)</u>	<u>90,553</u>	<u>(1,296,847)</u>	<u>(164,641)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest income	47,625	123,478	95,131	266,234	3,925
<b>Net cash provided by investing activities</b>	<u>47,625</u>	<u>123,478</u>	<u>95,131</u>	<u>266,234</u>	<u>3,925</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,951,205	3,094,031	(132,456)	4,912,780	(98,764)
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year, as restated	12,173,617	11,741,182	132,706	24,047,505	120,226
End of year	<u>\$ 14,124,822</u>	<u>\$ 14,835,213</u>	<u>\$ 250</u>	<u>\$ 28,960,285</u>	<u>\$ 21,462</u>
<b>RECONCILIATION OF CASH AND INVESTMENTS TO STATEMENT OF NET POSITION:</b>					
Cash and investments	\$ 13,135,231	\$ 14,835,213	\$ 250	\$ 27,970,694	\$ 21,462
Cash and investments with fiscal agents	989,591	-	-	989,591	-
<b>Total cash and investments</b>	<u>\$ 14,124,822</u>	<u>\$ 14,835,213</u>	<u>\$ 250</u>	<u>\$ 28,960,285</u>	<u>\$ 21,462</u>

**City of Calexico**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	Major Funds		Non-Major Fund	Total	Internal Service Funds
	Water	Wastewater	Airport		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 1,375,392	\$ 1,524,495	\$ (344,440)	\$ 2,555,447	\$ (561,614)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,317,960	498,844	261,473	2,078,277	-
Changes in operating assets and liabilities:					
Accounts receivable	(68,857)	(2,325)	(3,684)	(74,866)	(156,053)
Inventories and prepaid items	(298)	(298)	(14,613)	(15,209)	(4,853)
Pension-related deferred outflows	(138,809)	(118,310)	-	(257,119)	-
Accounts payable	(40,462)	36,017	(1,252)	(5,697)	63,842
Accrued payroll	(6,163)	(3,735)	-	(9,898)	-
Deposits payable	(66,751)	-	(690)	(67,441)	-
Compensated absences	(77,490)	81,358	-	3,868	-
Aggregate net pension liability	439,775	406,235	-	846,010	-
Net OPEB obligation	225,993	164,358	-	390,351	-
Claims payable	-	-	-	-	1,091,855
Pension-related deferred inflows	19,837	22,213	-	42,050	-
Total adjustments	<u>1,604,735</u>	<u>1,084,357</u>	<u>241,234</u>	<u>2,930,326</u>	<u>994,791</u>
<b>Net cash provided by (used in)   operating activities</b>	<u><u>\$ 2,980,127</u></u>	<u><u>\$ 2,608,852</u></u>	<u><u>\$ (103,206)</u></u>	<u><u>\$ 5,485,773</u></u>	<u><u>\$ 433,177</u></u>

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# FIDUCIARY FUND FINANCIAL STATEMENTS

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**Agency Funds** – These funds are used to account for money and property held by the City as trustee or custodian. Such funds include Corsair 2013-1 Gran Plaza CFD, Towncenter CFD, Hearthstone 2005-1 CFD, and Venezia CFD.

**Successor Agency to the Calexico Redevelopment Agency Private Purpose Trust Fund** – This fund is used to account for monies received from the Imperial County Auditor-Controller for the repayment of the enforceable obligations of the former Redevelopment Agency of the City of Calexico. These funds are restricted for the sole purpose of payment of items on an approved Recognized Payment Obligation Schedule (ROPS).

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**City of Calexico**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

	Agency Funds	Successor Agency to the Calexico Redevelopment Agency
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments	\$ 392,741	\$ 3,586,229
Cash and investments with fiscal agents	1,463,874	7,832,505
Accounts receivable	152,859	-
<b>Total current assets</b>	<b>2,009,474</b>	<b>11,418,734</b>
<b>Noncurrent assets:</b>		
Capital assets:		
Nondepreciable	-	1,347,518
Depreciable, net accumulated depreciation	-	1,846,560
<b>Total noncurrent assets</b>	<b>-</b>	<b>3,194,078</b>
<b>Total assets</b>	<b>\$ 2,009,474</b>	<b>14,612,812</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on refunding, net		868,606
<b>Total deferred outflows of resources</b>		<b>868,606</b>
 <b>LIABILITIES</b>		
Accounts payable	\$ 1,069	31,482
Due to bondholders	2,008,405	-
Interest payable	-	678,453
Long-term debt	-	33,411,735
<b>Total liabilities</b>	<b>\$ 2,009,474</b>	<b>34,121,670</b>
 <b>NET POSITION (DEFICIT)</b>		
Held in trust for retirement of obligations of the former Community Redevelopment Agency of the City of Calexico		<b>\$ (18,640,252)</b>

**City of Calexico**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2017**

---

	Successor Agency to the Calexico Redevelopment Agency
<b>ADDITIONS:</b>	
Property taxes - Redevelopment Property Tax Trust Fund (RPTTF)	\$ 2,762,249
Investment earnings	43,173
Other revenue	572,048
<b>Total additions</b>	<b>3,377,470</b>
<b>DEDUCTIONS:</b>	
Administration expenses	250,000
Depreciation	45,877
Enforceable obligations	15,599
Loss on disposal of capital assets	758,170
Interest expense and fiscal charges	1,732,734
Capital contributions to City	51,714
<b>Total deductions</b>	<b>2,854,094</b>
<b>Change in net position</b>	523,376
<b>NET POSITION:</b>	
Beginning of year	(19,163,628)
End of year	<b>\$ (18,640,252)</b>

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**City of Calexico**  
**Index to the Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2017**

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**City of Calexico**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2017**

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**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 City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture-recreation, public improvements, community development (planning, building and zoning), airport, public utilities (water and wastewater), and general administrative services.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body's financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship if it appoints a voting majority of an organization's governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

**Blended Component Units**

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.

Although the following are legally separate from the City, they have been "blended" as though they are part of the City because the component unit's governing body is substantially the same as the City's and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component units; and/or the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

**City of Calexico**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2017**

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

**A. Financial Reporting Entity (Continued)**

**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.

**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 non-exchange 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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

***B. Basis of Accounting and Measurement Focus (Continued)***

**Government-Wide Financial Statements (Continued)**

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
- Advances to/from other funds

**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 90 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.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

***B. Basis of Accounting and Measurement Focus (Continued)***

**Government Fund Financial Statements (Continued)**

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.

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

***Measure H Capital Projects Fund*** – This fund accounts for the capital outlay of bond proceeds issued to finance a fire station and various park and recreation improvements.

**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.

Proprietary funds are supported by user fees or other restricted grant revenues and their resources in the funds are not available for general city operations. In California, voters have enacted limitations on the ability of local governments to assess taxes for general operations. User fees are an important alternate revenue tool that is available to local governments to finance specific municipal services. Because user rates are set with a nexus to the cost of service supporting the fee, they may be set by the local government outside of tax limitations. However, if user fees are redirected outside of their source program, they would no longer have a nexus to the cost of service, and would cause the revenue to become an unauthorized general tax.

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.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

***B. Basis of Accounting and Measurement Focus (Continued)***

**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.

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***

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 reports Deferred Outflows of Resources for pension contributions made after the measurement date and for other pension actuarial losses being amortized over time. 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 reports Deferred Inflows of Resources for grant revenues not collected within the availability period. The City also reports Deferred Inflows of Resources for pension actuarial losses being amortized over time. 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, 2017**

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

***D. Cash, Cash Equivalents and Investments***

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The City participates in an investment pool managed by the State of California titled *Local Agency Investment Fund* (LAIF) which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

***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. Fair Value Measurement***

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, which are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

***G. 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". Any residual balances outstanding between the governmental activities and business-type activities are reported in the Governmental-Wide Financial Statements as "internal balances."

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

**H. 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 provide a future benefit.

**I. 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 acquisition value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$10,000. 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 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.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

**I. Capital Assets (Continued)**

**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.

**J. Pension 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 9). 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:

<u>CalPERS</u>	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

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.

**K. Compensated Absences**

It is the City’s policy to accrue annual leave when incurred in the government-wide financial statements and in proprietary 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, 2017. 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.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

***L. 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.

***M. Long-Term Debt***

**Government-Wide Financial Statements**

Long-term debt obligations 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 debt is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

***N. 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.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

***O. 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.

*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.

***P. 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.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

***Q. 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.

***R. 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, 2017**

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

**S. *New Governmental Accounting Standards Implemented for the Year Ended June 30, 2017***

*GASB Statement No. 77, Tax Abatement Disclosures* – This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition. This statement became effective for the year ended June 30, 2017 and did not have a significant impact on the City’s financial statements.

*GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* - This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement became effective for the year ended June 30, 2017 and did not have a significant impact on the City’s financial statements.

*GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14* – This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement became effective for the year ended June 30, 2017 and did not have a significant impact on the City’s financial statements.

**T. *Upcoming Governmental Accounting Standards Implementation***

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* – This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. The City has implemented GASB No. 74 which is reflected on the City’s financial statements. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

*GASB Statement No. 81, Irrevocable Split-Interest Agreements* – This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

***T. Upcoming Governmental Accounting Standards Implementation (Continued)***

*GASB Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* – This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer’s expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

*GASB Statement No. 83, Certain Asset Retirement Obligations* – This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. Application of this statement is effective for the City’s fiscal year ending June 30, 2019.

*GASB Statement No. 84, Fiduciary Activities* – This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the City’s fiscal year ending June 30, 2020.

*GASB Statement No. 85, Omnibus 2017* – This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

*GASB Statement No. 86, Certain Debt Extinguishment Issues* – This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

**T. Upcoming Governmental Accounting Standards Implementation (Continued)**

*GASB Statement No. 87, Leases* – This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. Application of this statement is effective for the City’s fiscal year ending June 30, 2020.

**Note 2 – Cash and Investments**

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2017:

	Primary Government				
	Governmental Activities	Business-type Activities	Total	Fiduciary Funds	Total
Cash and investments	\$ 24,206,316	\$ 27,970,694	\$ 52,177,010	\$ 3,978,970	\$ 56,155,980
Cash and investments with fiscal agent	16,185,176	989,591	17,174,767	9,296,379	26,471,146
<b>Total</b>	<b>\$ 40,391,492</b>	<b>\$ 28,960,285</b>	<b>\$ 69,351,777</b>	<b>\$ 13,275,349</b>	<b>\$ 82,627,126</b>

Cash and investments consisted of the following at June 30, 2017:

<b>Cash and cash equivalents:</b>	
Petty cash	\$ 6,350
Demand deposits	16,149,630
<b>Investments:</b>	
Local Agency Investment Fund	40,000,000
Money market funds	26,471,146
<b>Total</b>	<b>\$ 82,627,126</b>

At June 30, 2017, cash and investments, are reported at fair value based on quoted market prices. The following table represents the fair value measurements of investments recognized in the accompanying Statement of Net Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2017:

Investment Type	Total as of June 30, 2017	Measurement Inputs	Valuation Technique
<b>Investments:</b>			
Local Agency Investment Fund	\$ 40,000,000	Uncategorized	N/A
Money market funds	26,471,146	Uncategorized	N/A
<b>Total</b>	<b>\$ 66,471,146</b>		

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 2 – Cash and Investments (Continued)**

**A. Demand Deposits**

The carrying amounts of the City’s demand deposits were \$16,149,630 at June 30, 2017. Bank balances were \$16,569,693 at that date. 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, 2017**

**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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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. External 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, 2017 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, 2017, the City had \$40,000,000 invested in LAIF, which had invested 2.89% 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 fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The credit quality rating of LAIF is unrated as of June 30, 2017.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 2 – Cash and Investments (Continued)**

**E. Risk Disclosures**

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity, the greater the sensitivity its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs.

As of June 30, 2017, the City had the following investments and maturities:

	Amount	Maturities
		1 year or less
<b>Investments:</b>		
Local Agency Investment Fund	\$ 40,000,000	\$ 40,000,000
Money market funds	26,471,146	26,471,146
<b>Total</b>	<b>\$ 66,471,146</b>	<b>\$ 66,471,146</b>

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

**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.

	Amount	Credit Quality Ratings	
		Moody's	Standard & Poor's
<b>Investments:</b>			
Local Agency Investment Fund	\$ 40,000,000	Not Rated	Not Rated
Money market funds	26,471,146	Not Rated	Not Rated
<b>Total</b>	<b>\$ 66,471,146</b>		

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 2 – Cash and Investments (Continued)**

**E. Risk Disclosures (Continued)**

**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, 2017, 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:

<u>Investment Type</u>	<u>Total as of June 30, 2017</u>	<u>Percentage of Investments</u>
<b>Investments:</b>		
Local Agency Investment Fund	\$ 40,000,000	60.18%
Money market funds	26,471,146	39.82%
<b>Total</b>	<b>\$ 66,471,146</b>	

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 3 – Notes and Loans Receivable**

The City and Successor Agency have issued various long-term notes and loans receivable to support affordable housing and development objectives. The City reports its long-term notes and related interest receivable fully offset with an allowance on the Government-Wide Statement of Net Position, the Governmental Funds Balance Sheet, and the Statement of Fiduciary Net Position due to the uncertain nature of long-term affordable housing and development loans.

At June 30, 2017, notes and loans receivable consisted of the following:

	Notes/Loans Receivable Balance			Notes/Loans Receivable Balance	Allowance for Doubtful Accounts Balance	Financial Statement Balance
	7/1/2016	Additions	Deletions	6/30/2017	6/30/2017	6/30/2017
<b>City:</b>						
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)	-
California Family Apartments, LP	400,000	-	-	400,000	(400,000)	-
California Family Apartments 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	4,650,000	450,000	-	5,100,000	(5,100,000)	-
Other Housing Loans	9,918,228	-	(141,574)	9,776,654	(9,776,654)	-
City notes and loans receivable total	<u>26,420,801</u>	<u>450,000</u>	<u>(141,574)</u>	<u>26,729,227</u>	<u>(26,729,227)</u>	<u>-</u>
<b>Successor Agency:</b>						
Other Housing Loans	320,757	-	-	320,757	(320,757)	-
Successor Agency notes and loans receivable total	<u>320,757</u>	<u>-</u>	<u>-</u>	<u>320,757</u>	<u>(320,757)</u>	<u>-</u>
Total notes and loans receivable	<u>\$ 26,741,558</u>	<u>\$ 450,000</u>	<u>\$ (141,574)</u>	<u>\$ 27,049,984</u>	<u>\$ (27,049,984)</u>	<u>\$ -</u>

**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, 2017, 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 16<sup>th</sup> anniversary of the date the project was placed in service. At June 30, 2017, 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, 2017, the outstanding balance of the note was \$5,000,000.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 3 – Notes and Loans Receivable (Continued)**

**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, 2017, the outstanding balance of the note was \$759,332.

**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, 2017, the outstanding balance of the note was \$200,000.

**California Family Apartments, LP**

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, 2017, the outstanding balance of the note was \$400,000.

**California Family Apartments 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, 2017, 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, 2017, the outstanding balance of the note was \$1,363,887.

**Villa Primavera, LLP**

On November 4<sup>th</sup>, 2014, the City approved a loan to Villa Primavera CIC, LP an amount not to exceed \$5,100,000 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 30, 2017, the outstanding balance of the note was \$5,100,000.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 3 – Notes and Loans Receivable (Continued)**

**Other Housing Loans**

The City and Successor Agency have established various loan programs that 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, 2017, the outstanding balance of the City and Successor Agency loans were \$9,776,654 and \$320,757, respectively.

**Note 4 – Interfund Transactions**

**A. Due To and Due From Other Funds**

As of June 30, 2017, Due To/From Other Funds was as follows:

<b>Due From Other Funds</b>	<b>Due To Other Funds</b>					<b>Total</b>
	General Fund	Measure D Capital Projects Fund	Measure H Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	
Nonmajor Governmental Funds	\$ 1,127,268	\$ 964	\$ 58,478	\$ 1,298,420	\$ -	\$ 2,485,130
Airport Fund	-	-	-	214,934	-	214,934
Internal Service Fund	-	-	-	402,620	50,311	452,931
Total	\$ 1,127,268	\$ 964	\$ 58,478	\$ 1,915,974	\$ 50,311	\$ 3,152,995

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, 2017, interfund transfers were as follows:

<b>Transfers Out</b>	<b>Transfers In</b>			<b>Total</b>
	General Fund	Non-major Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 1,023,324	\$ -	\$ 1,023,324
Non-major Governmental Funds	4,860	223,168	-	228,028
Internal Service Funds	-	-	118,072	118,072
<b>Total</b>	\$ 4,860	\$ 1,246,492	\$ 118,072	\$ 1,369,424

**General Fund** – The General Fund has transferred \$1,000,493 of Measure H sales tax revenue to the Measure H Debt Service Fund to cover debt service on the Measure H bonds. The General Fund also transferred \$22,831 to other non-major governmental funds to clear fund deficits in other programs. Of this amount, \$14,876 was transferred to the IVECA Special Revenue Fund to fund payments to the regional Emergency Communications Authority in excess of the amount funded by the City’s allocation of 30% of Transient Occupancy Tax revenue.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 4 – Interfund Transactions (Continued)**

**B. Transfers In/Out (Continued)**

Non-major Governmental Funds – The CalHome Special Revenue Fund has transferred \$153,874 to the HOME Special Revenue Fund as reimbursement for prior year affordable housing loans that were subsequently reimbursed by a CalHome grant. The Local Housing Special Revenue Fund has transferred \$69,294 to the CalHome Special Revenue Fund to reimburse prior year costs that were not eligible for CalHome grant reimbursement. The La Jolla Palms Capital Projects Fund has transferred \$4,860 in unrestricted accumulated interest income to the General Fund.

Internal Service Funds – The Active Medical Internal Service Fund has transferred its surplus fund balance of \$118,072 at June 2017 to support operations in the Retiree Medical Internal Service Fund.

**C. Long-Term Advances**

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 to cover General Fund cash shortages. The terms of the advance include a 2% interest rate and a five-year repayment schedule. As of June 30, 2017, the General Fund has repaid the first of the five scheduled annual lease payments.

**Note 5 – Capital Assets**

**A. Governmental Activities**

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

	Balance July 1, 2016	Additions	Contributions From Successor Agency	Deletions	Transfers	Balance June 30, 2017
<b>Non-depreciable Assets:</b>						
Land	\$ 5,394,203	\$ -	\$ 51,714	\$ -	\$ -	\$ 5,445,917
Construction in progress	3,797,909	4,294,122	-	-	(783,928)	7,308,103
Total non-depreciable assets	9,192,112	4,294,122	51,714	-	(783,928)	12,754,020
<b>Depreciable Assets:</b>						
Building and improvements	20,862,303	-	-	-	-	20,862,303
Machinery and equipment	9,811,687	42,429	-	-	783,928	10,638,044
Infrastructure	101,405,937	-	-	-	-	101,405,937
Total depreciable assets, at cost	132,079,927	42,429	-	-	783,928	132,906,284
<b>Less accumulated depreciation:</b>						
Building and improvements	(9,819,294)	(444,472)	-	-	-	(10,263,766)
Machinery and equipment	(6,063,957)	(709,195)	-	-	-	(6,773,152)
Infrastructure	(69,624,162)	(2,335,006)	-	-	-	(71,959,168)
Total accumulated depreciation	(85,507,413)	(3,488,673)	-	-	-	(88,996,086)
Total depreciable assets, net	46,572,514	(3,446,244)	-	-	783,928	43,910,198
<b>Total governmental activities</b>	<b>\$ 55,764,626</b>	<b>\$ 847,878</b>	<b>\$ 51,714</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 56,664,218</b>

Depreciation expense for capital assets of the governmental activities for the year ended June 30, 2017 was \$3,488,244 and was not allocated to any function or program.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 5 – Capital Assets (Continued)**

**B. Business-Type Activities**

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

	Balance July 1, 2016	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2017
Non-depreciable Assets:					
Land	\$ 210,000	\$ 29,300	\$ -	\$ -	\$ 239,300
Construction in progress	2,199,306	74,677	(1,423,534)	(795,088)	55,361
Total non-depreciable assets	<u>2,409,306</u>	<u>103,977</u>	<u>(1,423,534)</u>	<u>(795,088)</u>	<u>294,661</u>
Depreciable Assets:					
Building and improvements	37,017,197	-	-	-	37,017,197
Machinery and equipment	15,419,137	125,457	-	795,088	16,339,682
Infrastructure	21,483,157	-	-	-	21,483,157
Total depreciable assets, at cost	<u>73,919,491</u>	<u>125,457</u>	<u>-</u>	<u>795,088</u>	<u>74,840,036</u>
Less accumulated depreciation:					
Building and improvements	(14,241,327)	(718,121)	-	-	(14,959,448)
Machinery and equipment	(5,128,085)	(862,145)	-	-	(5,990,230)
Infrastructure	(5,998,240)	(498,011)	-	-	(6,496,251)
Total accumulated depreciation	<u>(25,367,652)</u>	<u>(2,078,277)</u>	<u>-</u>	<u>-</u>	<u>(27,445,929)</u>
Total depreciable assets, net	<u>48,551,839</u>	<u>(1,952,820)</u>	<u>-</u>	<u>795,088</u>	<u>47,394,107</u>
<b>Total business-type activities</b>	<u>\$ 50,961,145</u>	<u>\$ (1,848,843)</u>	<u>\$ (1,423,534)</u>	<u>\$ -</u>	<u>\$ 47,688,768</u>

Depreciation expense for capital assets of the business-type activities for the year ended June 30, 2017 was as follows:

Water	\$ 1,317,960
Wastewater	498,844
Airport	261,473
<b>Total depreciation expense</b>	<u><u>\$ 2,078,277</u></u>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 5 – Capital Assets (Continued)**

**C. Fiduciary Funds**

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

	Balance July 1, 2016	Additions	Contributions To City	Deletions	Balance June 30, 2017
Non-depreciable Assets:					
Land	\$ 1,399,232	\$ -	\$ (51,714)	\$ -	\$ 1,347,518
Total non-depreciable assets	<u>1,399,232</u>	<u>-</u>	<u>(51,714)</u>	<u>-</u>	<u>1,347,518</u>
Depreciable Assets:					
Building and improvements	3,408,454	-	-	(1,114,590)	2,293,864
Machinery and equipment	38,665	-	-	(38,665)	-
Total depreciable assets, at cost	<u>3,447,119</u>	<u>-</u>	<u>-</u>	<u>(1,153,255)</u>	<u>2,293,864</u>
Less accumulated depreciation:					
Building and improvements	(758,152)	(45,877)	-	356,725	(447,304)
Machinery and equipment	(38,361)	-	-	38,361	-
Total accumulated depreciation	<u>(796,513)</u>	<u>(45,877)</u>	<u>-</u>	<u>395,086</u>	<u>(447,304)</u>
Total depreciable assets, net	<u>2,650,606</u>	<u>(45,877)</u>	<u>-</u>	<u>(758,169)</u>	<u>1,846,560</u>
<b>Total fiduciary funds</b>	<u>\$ 4,049,838</u>	<u>\$ (45,877)</u>	<u>\$ (51,714)</u>	<u>\$ (758,169)</u>	<u>\$ 3,194,078</u>

Depreciation expense for capital assets of the fiduciary funds for the year ended June 30, 2017 was \$45,877.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 6 – Long-Term Debt Obligations**

The following is a summary of changes in Long-Term Debt for the year ended June 30, 2017:

	Balance July 1, 2016	Prior Period Adjustment	JPIA Payment Plan	Debt Retired	Balance June 30, 2017	Classification	
						Due in One Year	Due in more than One Year
<b>Governmental Activities:</b>							
<b>Long-Term Debt:</b>							
LTA Sales Tax Revenue Bonds	\$ 13,195,000	\$ -	\$ -	\$ (615,000)	\$ 12,580,000	\$ 635,000	\$ 11,945,000
Bond Premium	51,316	-	-	(8,552)	42,764	-	42,764
Measure H Lease Revenue Bonds	10,060,000	-	-	(545,000)	9,515,000	565,000	8,950,000
Bond Premium	788,614	-	-	(60,663)	727,951	-	727,951
Tax Sharing Agreement	46,000	-	-	-	46,000	-	46,000
Loan Payable - Wal-Mart	1,466,722	(1,466,722)	-	-	-	-	-
Capital Lease Obligations	199,477	-	-	(199,477)	-	-	-
JPIA Payable Internal Service Funds:							
Workers Compensation	1,173,801	-	(669,221)	-	504,580	-	504,580
General Liability	973,600	-	577,141	-	1,550,741	9,129	1,541,612
<b>Total JPIA Payable</b>	<b>2,147,401</b>	<b>-</b>	<b>(92,080)</b>	<b>-</b>	<b>2,055,321</b>	<b>9,129</b>	<b>2,046,192</b>
<b>Total internal service funds</b>	<b>2,147,401</b>	<b>-</b>	<b>(92,080)</b>	<b>-</b>	<b>2,055,321</b>	<b>9,129</b>	<b>2,046,192</b>
<b>Total long-term debt</b>	<b>27,954,530</b>	<b>(1,466,722)</b>	<b>(92,080)</b>	<b>(1,428,692)</b>	<b>24,967,036</b>	<b>1,209,129</b>	<b>23,757,907</b>
<b>Total governmental activities</b>	<b>\$ 27,954,530</b>	<b>\$ (1,466,722)</b>	<b>\$ (92,080)</b>	<b>\$ (1,428,692)</b>	<b>\$ 24,967,036</b>	<b>\$ 1,209,129</b>	<b>\$ 23,757,907</b>

	Balance July 1, 2016	Debt Issued	Debt Retired	Balance June 30, 2017	Classification	
					Due in One Year	Due in more than One Year
<b>Business-Type Activities:</b>						
<b>Long-Term Debt:</b>						
Lease Revenue Bonds	\$ 13,275,000	\$ -	\$ (400,000)	\$ 12,875,000	\$ 415,000	\$ 12,460,000
State Revolving Fund Loan	170,268	-	(170,268)	-	-	-
<b>Total long-term debt</b>	<b>13,445,268</b>	<b>-</b>	<b>(570,268)</b>	<b>12,875,000</b>	<b>415,000</b>	<b>12,460,000</b>
<b>Total business-type activities</b>	<b>\$ 13,445,268</b>	<b>\$ -</b>	<b>\$ (570,268)</b>	<b>\$ 12,875,000</b>	<b>\$ 415,000</b>	<b>\$ 12,460,000</b>
<b>Fiduciary Funds:</b>						
<b>Long-Term Debt:</b>						
Tax Allocation Bonds	\$ 34,716,516	\$ -	\$ (1,304,781)	\$ 33,411,735	\$ 1,230,000	\$ 32,181,735
<b>Total Fiduciary Funds</b>	<b>\$ 34,716,516</b>	<b>\$ -</b>	<b>\$ (1,304,781)</b>	<b>\$ 33,411,735</b>	<b>\$ 1,230,000</b>	<b>\$ 32,181,735</b>

**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, 2017, the outstanding balance of the bonds was \$12,580,000. Total principal and interest remaining on the bond is \$17,203,125, payable through 2032.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 6 – Long-Term Debt Obligations (Continued)**

**A. Governmental Activities Long-Term Debt (Continued)**

**LTA Sales Tax Revenue Bonds (Continued)**

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

Year Ending June 30,	Principal	Interest	Total
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	710,000	430,800	1,140,800
2022	735,000	406,450	1,141,450
2023-2027	4,125,000	1,601,450	5,726,450
2028-2032	5,030,000	737,600	5,767,600
<b>Total</b>	<b>\$ 12,580,000</b>	<b>\$ 4,623,125</b>	<b>\$ 17,203,125</b>

**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, 2017, the outstanding balance of the bonds was \$9,515,000. Total principal and interest remaining on the bond is \$12,732,700, payable through 2030.

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 565,000	\$ 419,900	\$ 984,900
2019	585,000	396,900	981,900
2020	610,000	373,000	983,000
2021	635,000	348,100	983,100
2022	660,000	322,200	982,200
2023-2027	3,745,000	1,149,475	4,894,475
2028-2030	2,715,000	208,125	2,923,125
<b>Total</b>	<b>\$ 9,515,000</b>	<b>\$ 3,217,700</b>	<b>\$ 12,732,700</b>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 6 – Long-Term Debt Obligations (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, 2017, the outstanding balance was \$46,000.

**Loan Payable – Wal-Mart Stores, Inc.**

On September 24, 1992, the City entered into a development agreement with Wal-Mart Stores, Inc. (Wal-Mart). Wal-Mart paid \$2,515,714 for public improvements and the City agreed to reimburse Wal-Mart for these costs. During the year-ended June 30, 2017, the City determined that this obligation was resolved in a prior year and the remaining recorded liability of \$1,466,722 was removed from the City’s Statement of Net Position as a prior period adjustment.

**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 \$483,007. All capital leases have been repaid as of June 30, 2017.

**JPIA Payable**

The City was a member of the California Joint Powers Insurance Authority (JPIA) through December 31, 2015. As of January 1, 2016, the City became self-insured for claims incurred after that date. JPIA continues to administer and settle claims incurred by the City prior to December 31, 2015.

The JPIA 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 JPIA 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.

Each member pays an annual contribution to cover estimated losses for the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective charge is computed annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members has generated a retrospective charge balance of \$2,055,321 due from the City to the JPIA as of June 2017. The City’s liability to the JPIA is recorded in its respective Workers Compensation and General Liability Internal Service Funds. During the year ended June 30, 2017, the City negotiated a 5 - year installment payment plan for these charges with an interest carrying charge of 2% per year.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 6 – Long-Term Debt Obligations (Continued)**

**A. Governmental Activities Long-Term Debt (Continued)**

**JPIA Payable (Continued)**

The annual debt service requirements for the JPIA Payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 9,129	\$ 34,275	\$ 43,404
2019	590,178	43,602	633,780
2020	602,737	31,041	633,778
2021	422,132	18,213	440,345
2022	431,145	9,202	440,347
<b>Total</b>	<b>\$ 2,055,321</b>	<b>\$ 136,333</b>	<b>\$ 2,191,654</b>

**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, 2017 was \$12,875,000.

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 \$19,439,347, payable through 2037.

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 415,000	\$ 564,335	\$ 979,335
2019	430,000	548,065	978,065
2020	445,000	530,780	975,780
2021	465,000	512,348	977,348
2022	485,000	492,752	977,752
2023-2027	2,785,000	2,078,563	4,863,563
2028-2032	3,510,000	1,346,405	4,856,405
2033-2037	4,340,000	491,099	4,831,099
<b>Total</b>	<b>\$ 12,875,000</b>	<b>\$ 6,564,347</b>	<b>\$ 19,439,347</b>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 6 – Long-Term Debt Obligations (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 SRF loan balance was paid in full as of June 30, 2017.

**C. Fiduciary Funds Long-Term Debt**

**Tax Allocation Refunding Bonds**

	Balance July 1, 2016	Debt Issued	Debt Retired	Balance June 30, 2017	Classification	
					Due in One Year	Due in more than One Year
Tax Allocation Bonds - 2000	\$ 615,000	\$ -	\$ (25,000)	\$ 590,000	\$ 25,000	\$ 565,000
Tax Allocation Refunding Bonds - 2006	9,660,000	-	(45,000)	9,615,000	50,000	9,565,000
Tax Allocation Bonds - 2011	7,120,000	-	-	7,120,000	-	7,120,000
Bond Discount	(30,489)	-	1,793	(28,696)	-	(28,696)
Tax Allocation Bonds - 2011 School District	1,815,000	-	-	1,815,000	5,000	1,810,000
Bond Discount	(142,198)	-	8,365	(133,833)	-	(133,833)
2014 Tax Allocation Refunding Bonds	14,120,000	-	(1,125,000)	12,995,000	1,150,000	11,845,000
Bond Discount	1,559,203	-	(119,939)	1,439,264	-	1,439,264
<b>Total Tax Allocation Bonds</b>	<b>\$ 34,716,516</b>	<b>\$ -</b>	<b>\$ (1,304,781)</b>	<b>\$ 33,411,735</b>	<b>\$ 1,230,000</b>	<b>\$ 32,181,735</b>

**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.

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 \$590,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2017, the outstanding balance of the bonds was \$811,180. The total principal and interest remaining to be paid on the bond is \$811,180, payable through 2026.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 6 – Long-Term Debt Obligations (Continued)**

**C. Fiduciary Funds Long-Term Debt (Continued)**

**2000 Tax Allocation Bonds (Continued)**

The annual debt service requirements for the 2000 Tax Allocation Bonds at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 25,000	\$ 31,040	\$ 56,040
2019	25,000	29,697	54,697
2020	25,000	28,354	53,354
2021	25,000	27,010	52,010
2022	25,000	25,666	50,666
2023-2026	465,000	79,413	544,413
<b>Total</b>	<b>\$ 590,000</b>	<b>\$ 221,180</b>	<b>\$ 811,180</b>

**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, 2017, the outstanding balance of the bonds was \$9,615,000. Total principal and interest remaining on the bond is \$14,134,685, payable through 2031.

The annual debt service requirements for the 2006 Tax Allocation Bonds at June 30, 2017, are as follows

Year Ending June 30,	Principal	Interest	Total
2018	\$ 50,000	\$ 410,575	\$ 460,575
2019	50,000	408,575	458,575
2020	50,000	406,560	456,560
2021	55,000	404,460	459,460
2022	55,000	402,261	457,261
2023-2027	2,720,000	1,884,321	4,604,321
2028-2031	6,635,000	602,933	7,237,933
<b>Total</b>	<b>\$ 9,615,000</b>	<b>\$ 4,519,685</b>	<b>\$ 14,134,685</b>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 6 – Long-Term Debt Obligations (Continued)**

**C. Fiduciary Funds Long-Term Debt (Continued)**

**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.

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, 2017, the outstanding balance of the bonds was \$7,120,000. Total principal and interest remaining on the bond is \$15,068,175, payable through 2033.

The annual debt service requirements for the 2011 Tax Allocation Bonds at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ -	\$ 516,200	\$ 516,200
2019	-	516,200	516,200
2020	-	516,200	516,200
2021	-	516,200	516,200
2022	-	516,200	516,200
2023-2027	-	2,581,000	2,581,000
2028-2032	2,500,000	2,445,425	4,945,425
2033-2034	4,620,000	340,750	4,960,750
<b>Total</b>	<b>\$ 7,120,000</b>	<b>\$ 7,948,175</b>	<b>\$ 15,068,175</b>

**2011 Tax Allocation Bonds – School District**

On May 19, 2011, the Community Redevelopment Agency of the City of Calexico (the “Former RDA”) issued its Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds (School District), Issue of 2011 (the “2011 CUSD TABs”) for the purpose of financing the construction of certain capital improvements (the “Facilities”) of the Calexico Unified School District (the “CUSD”). The 2011 CUSD TABs were issued at the request of the CUSD. The 2011 CUSD TABs are secured by certain tax increment pass-through revenues (the “CUSD Pass-through Revenues”) pursuant to Section 3 of the each of the following agreements (collectively, the “Antecedent Agreements”):

1. First Amended and Restated Public Improvements Agreement dated March 16, 1993;
2. Memorandum of Understanding dated October 20, 1993; and
3. Public Improvements Agreement dated December 20, 1993.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 6 – Long-Term Debt Obligations (Continued)**

**C. Fiduciary Funds Long-Term Debt (Continued)**

**2011 Tax Allocation Bonds – School District (Continued)**

Pursuant to the Antecedent Agreements, the purpose of the CUSD Pass-through Revenues was to finance certain capital projects benefitting the CUSD. To the extent that any of the CUSD Pass-through Revenues were not so used, such unused moneys were to be transferred to the CUSD. Additionally, the CUSD previously requested and authorized the Former RDA to use a portion of the CUSD Pass-through Revenues as security for and payment of the debt service for certain prior bonds (the “Prior Bonds”), the proceeds of which were used to finance the construction of certain capital improvements benefitting the CUSD.

The net proceeds from the 2011 CUSD TABs were intended to be used to construct the Facilities benefitting the CUSD and the CUSD Pass-through Revenues were committed as security for and payment of the debt service for 2011 CUSD TABs.

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, 2017, the outstanding balance of the bonds was \$1,815,000. Total principal and interest remaining on the bond is \$3,382,100 payable through 2033. See Note 19 for subsequent events related to the Bonds.

The annual debt service requirements for the 2011 Tax Allocation Bonds – School District at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 5,000	\$ 118,900	\$ 123,900
2019	-	118,740	118,740
2020	-	118,740	118,740
2021	-	118,740	118,740
2022	-	118,740	118,740
2023-2027	235,000	577,860	812,860
2028-2032	1,105,000	369,970	1,474,970
2033-2034	470,000	25,410	495,410
<b>Total</b>	<b>\$ 1,815,000</b>	<b>\$ 1,567,100</b>	<b>\$ 3,382,100</b>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 6 – Long-Term Debt Obligations (Continued)**

**C. Fiduciary Funds Long-Term Debt (Continued)**

**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, 2017, the outstanding balance of the bonds was \$12,995,000. Total principal and interest remaining on the bond is \$16,271,800 payable through 2028.

The annual debt service requirements for the 2014 Tax Allocation Refunding Bonds at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,310,000	428,150	1,738,150
2022	1,355,000	369,625	1,724,625
2023-2027	5,550,000	847,750	6,397,750
2028	1,165,000	59,125	1,224,125
<b>Total</b>	<b>\$ 12,995,000</b>	<b>\$ 3,276,800</b>	<b>\$ 16,271,800</b>

**Pledged Revenues**

The Successor Agency has pledged tax revenues to the repayment of the former Calexico Redevelopment Agency’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 \$5,770,570 in fiscal year 2017. Total debt service of all Tax Allocation Bonds paid was \$2,890,989, 50% of the RPTTF revenue available for distribution to the Successor Agency.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 6 – Long-Term Debt Obligations (Continued)**

***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 (Hearthstone) 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 \$12,105,000 at June 30, 2017 were held by the District.

On June 30, 2017, the bond reserve account held by trustee was \$429,345, which is less than the required balance of \$1,016,560. The reserve account has been impacted by the facts that several draws have been made over past few years, the development phases have not been completed, and sufficient District levies have not been collected to fully fund debt service requirements. City administrators, community facilities district consultants, the City Attorney, new property owners, and trustee attorneys are currently working on a financial plan to auction undeveloped property to provide a final solution to this issue.

**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 were 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 from special assessment collections from the property owner and from certain payments contributed to the District by the City pursuant to an agreement between the City and Property owner dated July 2, 2013. The City acts as an agent for the property owners and bondholders in collecting special assessments from the property owner and its own contributions on behalf of the property owner. The District applies such collections toward bond debt service. The bonds are not reported as a liability of the City in the accompanying basic financial statements. The special assessment tax bonds totaling \$7,000,000 at June 30, 2017 were held by the District.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**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 \$1,145,417 at June 30, 2017. There is no fixed payment schedule for compensated absences.

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Classification	
					Due Within One Year	Due in More Than One Year
<b>Governmental Activities:</b>						
Compensated absences	\$ 1,298,986	\$ 139,100	\$ (292,669)	\$ 1,145,417	\$ 184,066	\$ 961,351
<b>Total governmental activities</b>	<u>\$ 1,298,986</u>	<u>\$ 139,100</u>	<u>\$ (292,669)</u>	<u>\$ 1,145,417</u>	<u>\$ 184,066</u>	<u>\$ 961,351</u>

**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 is earned. The compensated absences accrued in the proprietary funds amount to \$282,816 at June 30, 2017. There is no fixed payment schedule for compensated absences.

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Classification	
					Due Within One Year	Due in More Than One Year
<b>Business-Type Activities:</b>						
Compensated absences	\$ 278,948	\$ 91,382	\$ (87,514)	\$ 282,816	\$ 19,797	\$ 263,019
<b>Total business-type activities</b>	<u>\$ 278,948</u>	<u>\$ 91,382</u>	<u>\$ (87,514)</u>	<u>\$ 282,816</u>	<u>\$ 19,797</u>	<u>\$ 263,019</u>

**Note 8 – Risk Management**

**A. Summary**

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 \$100,000 and its workers compensation program carries a self-insured retention of \$125,000.

Changes in the claims liability amounts were as follows:

Workers’ Compensation

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2015-2016	\$ -	\$ 176,082	\$ -	\$ 176,082
2016-2017	176,082	1,256,297	(96,379)	1,336,000

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 8 – Risk Management (Continued)**

**A. Summary (Continued)**

General Liability

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at Fiscal Year End</b>
2015-2016	\$ -	\$ 538,811	\$ -	\$ 538,811
2016-2017	538,811	(143,544)	-	395,267

**B. California State Association of Cities – Excess Insurance Authority**

The City is a member of California State Association of Counties - Excess Insurance Authority (CSAC-EIA). The Authority is comprised of 55 California counties and currently consists of 262 public agencies, which includes municipalities, school districts, special districts and other Joint Powers Authorities (JPA). CSAC-EIA was formed as a Joint Powers Authority in 1979, pursuant to the California Government Code. The purpose of the Authority is to arrange, provide and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

The Board of Directors is comprised of 62 members, one representative from each member county and seven members elected by the public entity membership.

**General Liability Insurance**

Annual deposits are paid by member cities and are adjusted retroactively to cover costs. Each member city has a specific retention level. The City has a retention level of \$100,000 and pays 100% of all losses incurred under \$100,000. The City does not share or pay for losses of other cities under \$100,000. Losses of \$100,000 to \$5,000,000 are prorated among all participating cities on a payroll basis. Losses in excess of \$5,000,000 are covered by excess insurance purchased by the participating cities, as a part of the pool, to a limit of \$10,000,000. This cost is also prorated on a payroll basis. The City purchased an optional excess coverage, which covers up to \$20,000,000, and catastrophic coverage up to \$50,000,000.

**Workers' Compensation**

Beginning January 1, 2016, the City became fully self-insured with respect to Workers' Compensation. The City has a Self-Insured Retention (SIR) of \$125,000 per claim and additional coverage above its SIR with CSAC Excess Insurance Authority (EIA) to \$5 million per claim; there is an additional \$45 million of reinsurance above CSAC-EIA coverage bringing the total coverage to over \$50 million per claim. The CSAC-EIA is ranked as the second largest public entity risk pool and the largest property and casualty pool in the nation.

Self-insured workers' compensation and general liability claims payable of \$1,336,000 and \$393,267 respectively, are reported at June 30, 2017. Of the total self-insured claims payable, \$545,610 is due within the next fiscal year. During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage in the prior year.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 8 – Risk Management (Continued)**

**B. California State Association of Cities – Excess Insurance Authority (Continued)**

The latest financial information of the CSAC Excess Insurance Authority for fiscal year ended June 30, 2017, is as follows:

Total assets	\$ 791,363,353
Total deferred outflows	<u>\$ 1,537,233</u>
Total liabilities	<u>\$ 650,912,971</u>
Total deferred inflows	<u>\$ 1,466,353</u>
Total equities	<u>\$ 140,521,262</u>
Total revenues	<u>\$ 771,964,936</u>
Total expenses	<u>\$ 769,116,291</u>
Revenues over expenses	<u>\$ 2,848,645</u>

**Note 9 – Public Employees’ Retirement System**

The following is a summary of net pension liabilities and related deferred outflows and inflows of resources as of June 30, 2017:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Deferred outflows of resources:</b>			
Pension contribution made after measurement date:			
CalPERS Miscellaneous	\$ 321,365	\$ 145,998	\$ 467,363
CalPERS Safety	1,466,631	-	1,466,631
Total pension contribution made after measurement date	<u>1,787,996</u>	<u>145,998</u>	<u>1,933,994</u>
Projected earnings on pension plan investments in excess of actual earnings:			
CalPERS Miscellaneous	530,261	240,901	771,162
CalPERS Safety	2,336,199	-	2,336,199
Total projected earnings on pension plan investments in excess of actual earnings	<u>2,866,460</u>	<u>240,901</u>	<u>3,107,361</u>
Adjustment due to difference in proportions			
CalPERS Miscellaneous	-	-	-
CalPERS Safety	63,409	-	63,409
Total adjustment due to difference in proportions	<u>63,409</u>	<u>-</u>	<u>63,409</u>
Difference between expected and actual experience			
CalPERS Miscellaneous	8,302	3,771	12,073
CalPERS Safety	-	-	-
Total difference between expected and actual experience	<u>8,302</u>	<u>3,771</u>	<u>12,073</u>
Employer contributions in excess of proportionate share of contribution			
CalPERS Miscellaneous	-	-	-
CalPERS Safety	221,724	-	221,724
Total employer contributions in excess of proportionate share of contribution	<u>221,724</u>	<u>-</u>	<u>221,724</u>
Total deferred outflows of resources	<u>\$ 4,947,891</u>	<u>\$ 390,670</u>	<u>\$ 5,338,561</u>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 9 – Public Employees’ Retirement System (Continued)**

**Net pension liabilities:**

CalPERS Miscellaneous	\$ 6,854,674	\$ 3,114,132	\$ 9,968,806
CalPERS Safety	12,862,930	-	12,862,930
Total net pension liabilities	<u>\$ 19,717,604</u>	<u>\$ 3,114,132</u>	<u>\$ 22,831,736</u>

**Deferred inflows of Resources:**

Change in assumption			
CalPERS Miscellaneous	\$ 101,881	\$ 46,286	\$ 148,167
CalPERS Safety	475,518	-	475,518
Total change in assumption	<u>577,399</u>	<u>46,286</u>	<u>623,685</u>

Adjustment due to difference in proportions

CalPERS Miscellaneous	272,760	123,917	396,677
CalPERS Safety	185,449	-	185,449
Total adjustment due to difference in proportions	<u>458,209</u>	<u>123,917</u>	<u>582,126</u>

Employer contributions in excess of proportionate share of contribution

CalPERS Miscellaneous	445,886	202,569	648,455
CalPERS Safety	-	-	-
Total employer contributions in excess of proportionate share of contribution	<u>445,886</u>	<u>202,569</u>	<u>648,455</u>

Difference between expected and actual experience

CalPERS Miscellaneous	-	-	-
CalPERS Safety	109,062	-	109,062
Total difference between expected and actual experience	<u>109,062</u>	<u>-</u>	<u>109,062</u>

Total deferred inflows of resources

<u>\$ 1,590,556</u>	<u>\$ 372,772</u>	<u>\$ 1,963,328</u>
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**Pension expenses:**

CalPERS Miscellaneous	\$ 1,195,307	\$ -	\$ 1,195,307
CalPERS Safety	578,670	-	578,670
Total net pension expenses	<u>\$ 1,773,977</u>	<u>\$ -</u>	<u>\$ 1,773,977</u>

**Pension Plans**

**Plan Description**

Substantially all City employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the Safety Classic, Miscellaneous Classic, Safety PEPRAs or Miscellaneous PEPRAs 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 except for eligible employees hired prior to January 1, 2013. Employees hired after January 1, 2013 are eligible to enroll in the PEPRAs 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.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 9 – Public Employees’ Retirement System (Continued)**

**Pension Plans (Continued)**

**Benefits Provided**

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic safety and miscellaneous 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 and miscellaneous 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 miscellaneous employees are calculated as 3% and 2.7%, respectively, of the average final 12 months compensation. Retirement benefits for PEPRA safety and miscellaneous employees are calculated as 2.7% and 2%, respectively, of the average final 36 months compensation.

Participants are 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. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. 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%.

**Employees Covered**

At June 30, 2016 measurement date, the following employees were covered by the benefit terms for each Plan:

	<u>Active employees</u>	<u>Inactive employees or beneficiaries currently receiving benefits</u>	<u>Inactive employees entitled to but not yet receiving benefits</u>
Miscellaneous Plans	92	110	111
Safety Plans	53	87	79

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 9 – Public Employees’ Retirement System (Continued)**

**Pension Plans (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 the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or 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, 2016 (the measurement date), the active contribution rate was 9% of annual payroll for the Safety Classic Plan, 7% for the Miscellaneous Classic Plan, and 11.50% for the Safety PEPRA Plan, and 5.25%, for Miscellaneous PEPRA Plan. The average employer’s contribution rate was 5.113% of annual payroll for the Miscellaneous Classic Plan, 14.971% for the Safety Classic Plan, 11.99% for the Safety PEPRA Plan, and 5.988% for the Miscellaneous PEPRA Plan.

For the year ended June 30, 2017, the plan’s employer contributions made for each Plan was as follows:

	Contributions - employer
Miscellaneous Plans	\$ 467,363
Safety Plans	1,466,631
<b>Total</b>	<b>\$ 1,933,994</b>

**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, 2016, 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, 2015 rolled forward to June 30, 2016 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.

As of June 30, 2017, 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)		
<b>Miscellaneous Plans:</b>					
Balance at: 6/30/15 (Valuation date)	\$ 43,635,028	\$ 36,196,126	\$ 7,438,902		
Balance at: 6/30/16(Measurement date)	45,593,539	35,624,733	9,968,806		
Net Changes during 2015-2016	1,958,511	(571,393)	2,529,904		
<b>Safety Plans:</b>					
Balance at: 6/30/15 (Valuation date)	\$ 46,739,571	\$ 36,372,416	\$ 10,367,155		
Balance at: 6/30/16(Measurement date)	47,384,224	34,521,294	12,862,930		
Net Changes during 2015-2016	644,653	(1,851,122)	2,495,775		

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 9 – Public Employees’ Retirement System (Continued)**

**Pension Plans (Continued)**

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

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, 2015). 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, 2016). 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, 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16).

(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).

The City’s proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016 was as follows:

	Miscellaneous* Plans	Safety Plans	Total
Proportion June 30, 2015	0.00000%	0.25160%	0.25160%
Proportion June 30, 2016	0.28696%	0.24836%	0.53532%
Change - Increase (Decrease)	0.28696%	-0.00325%	0.28371%

\*The City’s Miscellaneous Plans transitioned from an Agent Plan to Cost-Sharing Plan at Measurement Date 6-30-16 therefore the proportion at June 30, 2015 is unable

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.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 9 – Public Employees’ Retirement System (Continued)**

**Pension Plans (Continued)**

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

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 2015-16 measurement period is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired).

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Miscellaneous Plans</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Pension Contributions Made Subsequent to Measurement Date	\$ 467,363	\$ -
Difference between projected and actual earning on pension plan investments	771,162	-
Adjustment due to differences in proportions	-	(396,677)
Changes in assumptions	-	(148,167)
Difference between actual and expected experience	12,073	-
Difference between Employer's actual contributions and proportionate share of contributions	-	(648,455)
Total	\$ 1,250,598	\$ (1,193,299)
<b>Safety Plans</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Pension Contributions Made Subsequent to Measurement Date	\$ 1,466,631	\$ -
Difference between projected and actual earning on pension plan investments	2,336,199	-
Adjustment due to differences in proportions	63,409	(185,449)
Changes in assumptions	-	(475,518)
Difference between actual and expected experience	-	(109,062)
Difference between Employer's actual contributions and proportionate share of contributions	221,724	-
Total	\$ 4,087,962	\$ (770,029)

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 9 – Public Employees’ Retirement System (Continued)**

**Pension Plans (Continued)**

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

For the Miscellaneous plans and Safety plans, \$467,363 and \$1,466,631, 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, 2017. 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 Plans	Safety Plans
2018	\$ (350,035)	\$ 76,052
2019	(335,312)	102,798
2020	75,542	1,064,272
2021	199,740	608,181
2022	-	-
Thereafter	-	-
	<u>\$ (410,065)</u>	<u>\$ 1,851,302</u>

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65%
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds. The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
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, 2015 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.

**Change of Assumption**

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50% (net of administrative expense in 2014) to 7.65% as of the June 30, 2016 measurement date to correct the adjustment, which previously reduced the discount rate for administrative expense.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 9 – Public Employees’ Retirement System (Continued)**

**Pension Plans (Continued)**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65%. 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 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% 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.

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, CalPERS 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, 2017**

**Note 9 – Public Employees’ Retirement System (Continued)**

**Pension Plans (Continued)**

**Discount Rate (Continued)**

The long-term expected real rate of return by asset class for the measurement period ended June 30, 2016 was as follows:

Asset Class	Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	51.00%	5.25%	5.71%
Private Equity	10.00%	0.99%	2.43%
Global Fixed Income	20.00%	0.45%	3.36%
Liquidity	1.00%	6.83%	6.95%
Real assets	12.00%	4.50%	5.13%
Inflation sensitive assets	6.00%	4.50%	5.09%
Other	0.00%	-0.55%	-1.05%
	<u>100%</u>		

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An 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 type, 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:

	<b>Plan's Aggregate Net Pension Liability/(Asset)</b>		
	<b>Discount Rate - 1%</b> <b>(6.65%)</b>	<b>Current Discount</b> <b>Rate (7.65%)</b>	<b>Discount Rate + 1%</b> <b>(8.65%)</b>
Miscellaneous Plans	\$ 16,107,117	\$ 9,968,806	\$ 4,895,797
Safety Plans	19,295,037	12,862,930	7,582,829
	<u>\$ 35,402,154</u>	<u>\$ 22,831,736</u>	<u>\$ 12,478,626</u>

**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, 2017, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 9 – Public Employees’ Retirement System (Continued)**

**Pension Plans (Continued)**

**CalPERS Discount Rate**

On December 21, 2016, the CalPERS Board of Administration (the “Board”) approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent to 7.00 percent over the next three years. This will increase the City’s employer contribution costs beginning in fiscal year 2018-19. The phase-in of the discount rate change approved by the board for the next three fiscal years is as follows:

<u>Valuation Date</u>	<u>Required Contribution</u>	<u>Discount Rate</u>
June 30, 2016	2018-19	7.375%
June 30, 2017	2019-20	7.250%
June 30, 2018	2020-21	7.000%

Lowering the discount rate means plans will see increases to normal costs, the cost of pension benefits accruing in one year for active members and the accrued liabilities. These increases will result in higher required employer contribution. The actual impact cannot be determined but the required employer contribution is expected to be significantly higher as well as the net pension liability.

**Note 10 – Other Postemployment Benefits Plan**

**Plan Description**

As of July 1, 2016, the date of its most recent OPEB actuarial valuation, the City provides health benefits to 33 retirees. In addition, 130 active employees are earning service credit for future retiree health benefits. With the exception of members of the Calexico Police Officers Association, employees hired on or after July 1, 2008 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.

**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 2017 fiscal year was \$415,503.

The City has not set aside funds into a trust to fund future benefit payments. The unfunded actuarial accrued liability for retiree health benefits at July 1, 2016 was \$ 31,541,450.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 10 – Other Postemployment Benefits Plan**

**Annual OPEB Cost**

For the year ended June 30, 2017, the City’s Annual Required Contribution was \$2,787,602. 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, 2016.

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 as reported under GASB 45 accounting standards. The City anticipates accelerating the recording of this obligation at June 2018 with the implementation of the new GASB 75 accounting standard.

	Beginning Balance Net OPEB Obligation	Annual Required Contributions	Actual Contributions	Amortization of Net OPEB Obligation	Accrued Interest	Ending Balance Net OPEB Obligation
2014-2015	\$ 9,392,055	\$ 2,751,111	\$ (625,817)	\$ (615,995)	\$ 375,682	\$ 11,277,036
2015-2016	11,277,036	2,787,602	(431,568)	(739,625)	451,081	13,344,526
2016-2017	13,344,526	2,859,625	(415,503)	(923,425)	533,781	15,399,004

**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
7/1/2016	\$ -	31,541,450	\$ 31,541,450	0.00%	\$ 8,914,400	353.83%

**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, 2016. 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 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, 2016 is assumed to be 26 years.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 11 – 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.

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, 2017**

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**Note 12 – 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 have been accrued in the financial statements as discussed in Note 8.

**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.

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, 2017 with an estimated cost to complete of approximately \$3,782,721 planned for in all fund types.

**D. *CFD 2013-1***

The City has committed to make annual payments to the Community Facility District 2013-1 (District) on behalf of the District's property owner through an Agreement Re Covenants ("Agreement") executed in July 2013. The District was formed in 2013 to finance improvements supporting the development of the Gran Plaza shopping center and related City development impact fees.

In the Agreement, the City agreed to pay a portion of sales tax revenues earned from the Gran Plaza shopping center to the CFD on behalf of the property owner. Annual City payments are calculated in the following four step process:

1. The City retains the first \$300,000 of sales tax earned at Gran Plaza each operating (calendar) year.
2. Sales tax in excess of \$300,000 is paid to the District up to the District's annual debt service.
3. Sales tax in excess of \$300,000 and in excess of the District's annual debt service is retained by the City, up to an amount matching the City's payment to the District for its annual debt service.
4. Sales tax in excess of amounts applied in Steps 1 to 3 is divided in half, with half retained by the City and half paid to the District for the refunding of outstanding District bonds.

During the year ended June 30, 2017, the City paid \$284,822 to the District under the terms of this Agreement.

**Note 13 – 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.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 13 – Deferred Compensation Plan (Continued)**

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 14 – 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 coverage 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.

**Note 15 – Other Required Disclosures**

**A. Deficit Fund Balances/Net Position**

At June 30, 2017, the Governmental Activities Statement of Net Position had an unrestricted net position deficit of \$(33,397,848).

At June 30, 2017, 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	\$ (3,080,218)
Workers Compensation	Internal Service Fund	(1,457,609)
General Liability	Internal Service Fund	(1,817,157)
Successor Agency to the Calexico Community Redevelopment Agency	Private Purpose Trust Fund	(18,640,252)

**B. Expenditures Exceeding Appropriations**

For the year ended June 30, 2016, expenditures exceeded appropriations in the following functions of the General Fund:

Fund	Function	Excess
General Fund	Public Safety - Police	\$ (95,636)
General Fund	Public Safety - Fire	(20,472)
General Fund	Contribution to CFD 2013-1	(284,822)

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 16 – Fund Balance Classification**

The City's fund balances at June 30, 2017 are tabulated below by fund types:

	Major Funds					Total
	General Fund	LTA Measure D Special Revenue Fund	LTA Measure H Capital Project Fund	LTA Measure D Capital Project Fund	Other Governmental Funds	
Non-spendable:						
Inventories and prepaid items	\$ 475	\$ -	\$ -	\$ -	\$ -	\$ 475
Total non-spendable	475	-	-	-	-	475
Restricted:						
LTA Measure D	-	9,464,276	-	-	-	9,464,276
Debt service payments	-	-	-	-	2,936,246	2,936,246
Public works	-	-	-	-	2,749,527	2,749,527
Culture and recreation	-	-	-	-	226,397	226,397
Housing	-	-	-	-	3,822,959	3,822,959
Capital projects	-	-	4,317,107	7,089,675	8,123,542	19,530,324
Total restricted	-	9,464,276	4,317,107	7,089,675	17,858,671	38,729,729
Unassigned (deficit)	(3,080,693)	-	-	-	(241,767)	(3,322,460)
Total unassigned	(3,080,693)	-	-	-	(241,767)	(3,322,460)
<b>Total fund balances</b>	<b>\$ (3,080,218)</b>	<b>\$ 9,464,276</b>	<b>\$ 4,317,107</b>	<b>\$ 7,089,675</b>	<b>\$ 17,616,904</b>	<b>\$35,407,744</b>

**Note 17 – Pollution Remediation Obligations**

In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the City is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as liabilities or, if appropriate, capitalized when goods and services are acquired if one of the following five specified obligating events occurs:

- The City is compelled to take pollution remediation action because of an imminent endangerment;
- The City violates a pollution prevention-related permit or license;
- The City is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party for remediation, or as a government responsible for sharing costs;
- The City is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation;
- The City commences or legally obligates itself to commence pollution remediation.

At June 30, 2017, the City identified the following site that met one of the above obligating events:

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 17 – Pollution Remediation Obligations (Continued)**

**Gun Club Property**

The City has a potential liability under the California Environmental Quality Act (CEQA) to clean up the Gun Club property, which was sold to the Redevelopment Agency by the City during Fiscal Year 2009 and subsequently committed for sale to a developer. The property has been exposed to lead from the firing range.

In January 2013 the California Environmental Protection Agency, Department of Toxic Substances Control, Imperial Certified Unified Program Agency (DTSC) conducted a complaint inspection at the Gun Club property. Upon the investigation, DTSC identified violations of the Hazardous Waste Control Law and its implementing regulations by the City of Calexico and other parties related to the disposal and exposure of contaminated soil on the property. This resulted in a Summary of Violations letter issued in 2013 to the City and other interested parties that was amended in November 2017. DTSC and the other interested parties are discussing settlement which may include a monetary penalty and/or the implementation of a Supplemental Environmental Project.

At June 30, 2017, the City and Successor Agency have not recorded a pollution remediation obligation because the amount of the City's liability could not be estimated at the date of the report. The City and the Successor Agency estimate that any liability of the City or the Successor Agency would be recoverable from contractors, development partners, or insurance.

**Note 18 – Prior Period Adjustments**

**A. Government-Wide Financial Statements**

The beginning net position at July 1, 2016 of the Government-wide Financial Statements was restated as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Net position at July 1, 2016	\$ 31,464,265	\$ 65,092,120	\$ 96,556,385
Correction to implement FY12/13 and FY13/14 Cost Allocation Plans	744,944	(744,944)	-
Correction to recognize FY14/15 and FY15/16 Airport Overhead/Salaries	101,200	(101,200)	-
Correction to record sales tax commitment to CFD 2013-1	(319,719)	-	-
Correction to write-off the Walmart Stores, Inc. Loan Payable	1,466,722	-	1,466,722
Correct to allocate a portion of the OPEB liability to the enterprise funds	2,559,720	(2,559,720)	-
Net position at July 1, 2016, as restated	<u>\$ 36,017,132</u>	<u>\$ 61,686,256</u>	<u>\$ 97,703,388</u>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 18 – Prior Period Adjustments (Continued)**

**B. Governmental Fund Financial Statements**

The beginning net position at July 1, 2016 for the governmental funds was restated as follows:

	<b>General Fund</b>
Net position at July 1, 2016	\$ (4,042,178)
Correction to implement FY12/13 and FY13/14 Cost Allocation Plans	744,944
Correction to implement FY14/15 and FY15/16 Airport Overhead/Salaries	101,200
Correction to record sales tax commitment to CFD 2013-1	(319,719)
Net position at July 1, 2016, as restated	\$ (3,515,753)

**C. Proprietary Fund Financial Statements**

The beginning net position at July 1, 2015 for the proprietary funds was restated as follows:

	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Airport Fund</b>	<b>Business-Type Total</b>
Net position at July 1, 2016	\$ 34,799,818	\$ 25,556,482	\$ 4,735,820	\$ 65,092,120
Correction to implement FY12/13 and FY13/14 Cost Allocation Plans	(399,077)	(345,867)	-	(744,944)
Correction to implement FY14/15 and FY15/16 Airport Overhead/Salaries	-	-	(101,200)	(101,200)
Correct to record lease rental payments between the Airport Fund and Wastewater Fund for the fiscal years 2012-13 through 2015-16	-	(174,910)	174,910	-
Correct to allocate a portion of the OPEB liability to the enterprise funds	(1,475,101)	(1,084,619)	-	(2,559,720)
Net position at July 1, 2016, as restated	\$ 32,925,640	\$ 23,951,086	\$ 4,809,530	\$ 61,686,256

**Note 19 – Financial Condition of the General Fund**

The City's General Fund Balance Sheet reports a deficit fund balance of \$3,080,218 at June 30, 2017.

To clarify the scope of this deficit, for financial reporting purposes, the scope of 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 Fund Balance was fully depleted during the prior 2014-15 fiscal year. During 2014-15, General Fund expenditures exceeded revenues and transfers by \$4.1 million; fund balance was drawn; and the Fund reported a year-end deficit of \$114,972 as of June 30, 2015. Further, during 2015-16, expenditures continued to outpace available revenues. Expenditures exceed revenues and transfers by \$3.9 million during 2015-16, increasing the fund deficit to \$4.0 million at June 2016.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 19 – Financial Condition of the General Fund (Continued)**

To address its accumulated projected deficit through June 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 five year repayment schedule. During the year ended June 30, 2017, the General Fund has repaid the first installment of this advance and owes a remaining balance of \$2,827,446. Along with other operating results, the General Fund deficit has improved from a \$4,042,181 million deficit at June 2016 to a \$3,080,218 million deficit at June 2017.

On June 28, 2017, the City adopted a General Fund budget for the 2017-18 fiscal year which includes the second installment repayment of its advance from the Wastewater Fund. The adopted 2017-18 budget assumed \$3.2 million of anticipated vacancy and other budget savings to close the budget gap between projected annual revenues and annual expenditures. Subsequent to June 30, 2017, in January 2018, the City Council formally amended its 2017-18 budget to reflect new revenues; executed employee contract changes; and made other adjustments to close \$2.5 million of this \$3.2 million annual budget gap. Additional 2017-18 budget amendments have been identified to retain a balanced annual operating plan through the end of the 2017-18 fiscal year. The City remains focused on addressing its long-term financial stability through budget monitoring and adjustment efforts to ensure that expenditures are controlled within available revenues.

**Note 20 – Subsequent Events**

**A. 2011 Tax Allocation Bonds – School District**

Subsequent to June 30, 2017, the Calexico Unified School District (CSUD) filed a complaint in Imperial County Superior Court to recover certain pass-through tax payments received by the Successor Agency to the Former Redevelopment Agency (Successor Agency). The Successor Agency has used these receipts to make debt service payments on behalf of CSUD on the Successor Agency's 2011 CUSD Tax Allocation Bonds.

The Former Redevelopment Agency issued its 2011 CUSD Tax Allocation bonds in the amount of \$7,120,000 to finance certain facilities of the CUSD (See Note 6 C). CUSD Pass-through Revenues allocated from tax increment revenue of the former Redevelopment Agency were committed as security for and payment of the debt service for 2011 CUSD TABs.

After the 2011 CUSD TABs were issued, the State of California enacted legislation that caused the dissolution of all California redevelopment agencies, which became effective as of February 1, 2012 (the "Dissolution Act"). Through its interpretation of the Dissolution Act, the California Department of Finance prohibited the Successor Agency from transferring the net proceeds of the 2011 CUSD Tax Allocation Bonds to the CUSD.

Due to the California Department of Finance's denial, on April 5, 2016, the CUSD advised the Successor Agency that the CUSD would no longer make debt service payments to the Successor Agency for its 2011 CUSD TABs and requested a refund of all prior debt service payments made by the CUSD on the 2011 CUSD TABs. Since that date, the CUSD has made no debt service payments for this bond issue. However, the County of Imperial has intervened, and through its administration of the disbursement of redevelopment property tax Pass-through Revenues, the County of Imperial has unilaterally redirected Pass-through Revenues of CUSD to the Successor Agency in amounts sufficient to continue debt service payments on the Successor Agency's 2011 CUSD Tax Allocation bonds.

The Successor Agency has been working with CUSD, Imperial County, and the California Department of Finance to resolve this issue since October 1, 2015. Any potential loss from the CSUD complaint cannot be estimated at this time and no provision for loss has been recorded in the accompanying financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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**City of Calexico**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Information**  
**For the Year Ended June 30, 2017**

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**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 budget appropriations within a General Fund department, or within a non-General Fund fund. Budget amendments to a total General Fund department budget, non-General Fund fund budget, or a capital project require City Council approval.

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 U.S. GAAP.

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)**  
**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts				Actual Amounts	Variance with Final Budget
	General Fund Original	Measure H Fund Original	Original Total	Final		
<b>REVENUES:</b>						
Property taxes	\$ 2,567,000	\$ -	\$ 2,567,000	\$ 2,717,000	\$ 2,377,720	\$ (339,280)
Other taxes:						
Other taxes	5,731,000	-	5,731,000	5,432,000	5,288,958	(143,042)
Measure H sales tax	-	2,580,000	2,580,000	2,580,000	2,565,671	(14,329)
Total other taxes	5,731,000	2,580,000	8,311,000	8,311,000	7,854,629	(456,371)
Licenses, permits and fees	1,028,000	-	1,028,000	1,321,000	1,587,482	266,482
Intergovernmental	2,893,465	-	2,893,465	3,587,465	3,586,397	(1,068)
Charges for services	1,470,500	-	1,470,500	1,627,500	1,404,434	(223,066)
Fines and forfeitures	365,000	-	365,000	365,000	207,913	(157,087)
Use of money and property	238,200	-	238,200	222,000	217,137	(4,863)
Other revenues	-	-	-	1,200	6,041	4,841
<b>Total revenues</b>	<b>14,293,165</b>	<b>2,580,000</b>	<b>16,873,165</b>	<b>17,853,165</b>	<b>17,241,753</b>	<b>(611,412)</b>
<b>EXPENDITURES:</b>						
Current:						
General government	(997,322)	340,000	(657,322)	2,201,577	1,927,582	273,995
Public safety:						
Police	6,170,640	850,000	7,020,640	5,731,888	5,827,524	(95,636)
Fire	4,056,279	400,000	4,456,279	4,375,318	4,395,790	(20,472)
Total Public Safety	10,226,919	1,250,000	11,476,919	10,107,206	10,223,314	(116,108)
Public works	1,452,567	-	1,452,567	1,003,607	869,186	134,421
Culture and recreation	1,496,476	-	1,496,476	1,029,895	1,007,239	22,656
Community development	1,063,320	-	1,063,320	849,775	727,786	121,989
Housing	497,027	-	497,027	308,649	140,284	168,365
Contribution to CFD 2013-1	-	-	-	-	284,822	(284,822)
Capital outlay	-	-	-	325,065	332,677	(7,612)
Debt service:						
Principal	-	-	-	199,477	199,477	-
Interest and fiscal charges	-	-	-	75,387	75,387	-
<b>Total expenditures</b>	<b>13,738,987</b>	<b>1,590,000</b>	<b>15,328,987</b>	<b>16,100,638</b>	<b>15,787,754</b>	<b>312,884</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>554,178</b>	<b>990,000</b>	<b>1,544,178</b>	<b>1,752,527</b>	<b>1,453,999</b>	<b>(298,528)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	4,860	4,860
Transfers out	-	(990,000)	(990,000)	(990,000)	(1,023,324)	(33,324)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(990,000)</b>	<b>(990,000)</b>	<b>(990,000)</b>	<b>(1,018,464)</b>	<b>(28,464)</b>
<b>Net changes in fund balance</b>	<b>554,178</b>	<b>-</b>	<b>554,178</b>	<b>762,527</b>	<b>435,535</b>	<b>(326,992)</b>
<b>FUND BALANCE:</b>						
Beginning of year, as restated (Note 18)	(3,352,175)	-	(3,352,175)	(4,042,182)	(3,515,753)	526,429
End of year	\$ (2,797,997)	\$ -	\$ (2,797,997)	\$ (3,279,655)	\$ (3,080,218)	\$ 199,437

**City of Calexico**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Budgetary Comparison Schedule – LTA Measure D Special Revenue Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 1,200,000	\$ 1,200,000	\$ 1,209,391	\$ 9,391
Use of money and property	13,000	13,000	34,121	21,121
<b>Total revenues</b>	<u>1,213,000</u>	<u>1,213,000</u>	<u>1,243,512</u>	<u>30,512</u>
<b>EXPENDITURES:</b>				
Capital outlay	<u>3,104,098</u>	<u>3,104,098</u>	<u>167,954</u>	<u>2,936,144</u>
<b>Total expenditures</b>	<u>3,104,098</u>	<u>3,104,098</u>	<u>167,954</u>	<u>2,936,144</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(1,891,098)</u>	<u>(1,891,098)</u>	<u>1,075,558</u>	<u>2,966,656</u>
<b>Net changes in fund balance</b>	<u>\$ (1,891,098)</u>	<u>\$ (1,891,098)</u>	<u>1,075,558</u>	<u>\$ 2,966,656</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>8,388,718</u>	
End of year			<u>\$ 9,464,276</u>	

**City of Calexico**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2017**

**California Public Employees' Retirement System ("CalPERS") Miscellaneous Plans**

Measurement Period	June 30, 2016 <sup>1</sup>
City's Proportion of the Net Pension Liability	0.28696%
City's Proportionate Share of the net Pension Liability	\$ 9,968,806
City's Covered-Employee Payroll	\$ 4,977,383
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>200.28%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>70.53%</u>

**California Public Employees' Retirement System ("CalPERS") Safety Plans**

Measurement Period	June 30, 2016 <sup>1</sup>	June 30, 2015 <sup>1</sup>	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability	0.24836%	0.25160%	0.26449%
City's Proportionate Share of the net Pension Liability	\$ 12,862,930	\$ 10,367,155	\$ 9,920,642
City's Covered-Employee Payroll	\$ 3,937,017	\$ 4,423,592	\$ 4,864,763
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>326.72%</u>	<u>234.36%</u>	<u>203.93%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>72.39%</u>	<u>76.43%</u>	<u>74.31%</u>

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available. The City's Miscellaneous Plans was an Agent Plan prior to June 30, 2016, therefore only one year of data is available.

**Notes to Schedule:**

**Benefit Changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. 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:** In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

**City of Calexico**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2017**

**California Public Employees' Retirement System ("CalPERS") Miscellaneous Plans**

	2015-16 <sup>1</sup>	2014-15 <sup>1</sup>	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 438,015	\$ 389,770	\$ 344,145
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(438,015)	(389,770)	(344,145)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 4,977,383	\$ 5,315,723	\$ 5,851,522
Contributions as a Percentage of Covered-Employee Payroll	8.80%	7.33%	5.88%

**California Public Employees' Retirement System ("CalPERS") Safety Plans**

	2015-16 <sup>1</sup>	2014-15 <sup>1</sup>	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 1,385,061	\$ 1,275,182	\$ 1,305,223
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(1,385,061)	(1,275,182)	(1,305,223)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 3,937,017	\$ 4,423,592	\$ 4,864,763
Contributions as a Percentage of Covered-Employee Payroll	35.18%	28.83%	26.83%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

**Notes to Schedule**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were derived from the June 30, 2013 funding valuation report

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age Normal Cost Method
Amortization method/period	Level percentage of payroll
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes Inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**City of Calexico**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Funding Progress – Other Post-Employment Benefits**  
**For the Year Ended June 30, 2017**

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
7/1/2012	\$ -	\$ 15,971,379	\$ 15,971,379	0.00%	\$ 11,948,662	133.67%
7/1/2014	-	23,798,907	23,798,907	0.00%	11,252,680	211.50%
7/1/2016	-	31,541,450	31,541,450	0.00%	8,914,400	353.83%

**SUPPLEMENTARY INFORMATION**

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**NON-MAJOR GOVERNMENTAL FUNDS**

**City of Calexico**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2017**

	Special Revenue					
	Library Grant	Community Donations	Art in Public Places	Cannabis Permits	Gas Tax	LTF Article 3
<b>ASSETS</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 1,709,008	\$ 337,931
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	6,894	-	-
Intergovernmental	-	-	-	-	-	68,133
Due from other funds	2,282	154,004	75,460	-	-	-
<b>Total assets</b>	<b>\$ 2,282</b>	<b>\$ 154,004</b>	<b>\$ 75,460</b>	<b>\$ 6,894</b>	<b>\$ 1,709,008</b>	<b>\$ 406,064</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 2,282	\$ 3,067	\$ -	\$ -	\$ 66,209	\$ -
Due to other funds	-	-	-	6,894	-	-
Unearned revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>2,282</b>	<b>3,067</b>	<b>-</b>	<b>6,894</b>	<b>66,209</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenue	-	-	-	-	-	34,689
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,689</b>
<b>Fund Balances:</b>						
Restricted	-	150,937	75,460	-	1,642,799	371,375
Unassigned (deficit)	-	-	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>150,937</b>	<b>75,460</b>	<b>-</b>	<b>1,642,799</b>	<b>371,375</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,282</b>	<b>\$ 154,004</b>	<b>\$ 75,460</b>	<b>\$ 6,894</b>	<b>\$ 1,709,008</b>	<b>\$ 406,064</b>

(Continued)

**City of Calexico**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2017**

	Special Revenue					
	TDA	Asset Forfeiture	Prop 172 Public Safety Sales Tax	State COPS Grant	Operation Stonegarden	Office of Emergency Services
<b>ASSETS</b>						
Cash and investments	\$ 85,050	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Intergovernmental	84,568	-	33,935	49,210	-	-
Due from other funds	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 169,618</b>	<b>\$ -</b>	<b>\$ 33,935</b>	<b>\$ 49,210</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 196	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	33,935	49,210	-	-
Unearned revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>196</b>	<b>-</b>	<b>33,935</b>	<b>49,210</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenue	41,988	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>41,988</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>						
Restricted	127,434	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-
<b>Total fund balances</b>	<b>127,434</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 169,618</b>	<b>\$ -</b>	<b>\$ 33,935</b>	<b>\$ 49,210</b>	<b>\$ -</b>	<b>\$ -</b>

(Continued)

**City of Calexico**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2017**

	Special Revenue					Business Improvement District
	Bravo-Victoria Eastside Village Assessment	Other Operating Grants	IVECA	General Plan Update	Solid Waste	
<b>ASSETS</b>						
Cash and investments	\$ 1,116,279	\$ -	\$ -	\$ 8,111	\$ -	\$ 61,662
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	-	14,956	-	149,970	-
Intergovernmental	80,584	6,931	-	-	10,329	-
Due from other funds	-	-	-	-	734,752	-
<b>Total assets</b>	<b>\$ 1,196,863</b>	<b>\$ 6,931</b>	<b>\$ 14,956</b>	<b>\$ 8,111</b>	<b>\$ 895,051</b>	<b>\$ 61,662</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 8,785	\$ -	\$ -	\$ -	\$ 295,243	\$ -
Due to other funds	-	6,931	14,956	-	-	-
Unearned revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>8,785</b>	<b>6,931</b>	<b>14,956</b>	<b>-</b>	<b>295,243</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenue	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>						
Restricted	1,188,078	-	-	8,111	599,808	61,662
Unassigned (deficit)	-	-	-	-	-	-
<b>Total fund balances</b>	<b>1,188,078</b>	<b>-</b>	<b>-</b>	<b>8,111</b>	<b>599,808</b>	<b>61,662</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,196,863</b>	<b>\$ 6,931</b>	<b>\$ 14,956</b>	<b>\$ 8,111</b>	<b>\$ 895,051</b>	<b>\$ 61,662</b>

(Continued)

**City of Calexico**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2017**

	Special Revenue					Debt Service
	Federal HOME Grant Fund	Successor Housing	State CalHOME Grant	Federal CDBG Grant	Local Housing Programs	Measure H Debt Service
<b>ASSETS</b>						
Cash and investments	\$ 322,074	\$ 1,975,940	\$ -	\$ 940,887	\$ -	\$ -
Cash and investments with fiscal agents	-	-	-	-	-	999,588
Receivables:						
Accounts	630	441	-	7,734	2,226	-
Intergovernmental	-	-	972,430	1,110	-	-
Due from other funds	-	391,922	-	-	123,723	-
<b>Total assets</b>	<b>\$ 322,704</b>	<b>\$ 2,368,303</b>	<b>\$ 972,430</b>	<b>\$ 949,731</b>	<b>\$ 125,949</b>	<b>\$ 999,588</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 928	\$ -	\$ -	\$ 4,462	\$ -	\$ -
Due to other funds	-	-	972,430	-	-	-
Unearned revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>928</b>	<b>-</b>	<b>972,430</b>	<b>4,462</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenue	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>						
Restricted	321,776	2,368,303	-	945,269	125,949	999,588
Unassigned (deficit)	-	-	-	-	-	-
<b>Total fund balances</b>	<b>321,776</b>	<b>2,368,303</b>	<b>-</b>	<b>945,269</b>	<b>125,949</b>	<b>999,588</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 322,704</b>	<b>\$ 2,368,303</b>	<b>\$ 972,430</b>	<b>\$ 949,731</b>	<b>\$ 125,949</b>	<b>\$ 999,588</b>

(Continued)

**City of Calexico**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2017**

	Debt Service		Capital Projects			
	Measure D Debt Service	General Capital Projects	Capital Grants	DIF - Libraries	DIF - Parks/ Recreation	DIF - Parking
<b>ASSETS</b>						
Cash and investments	\$ -	\$ 2,196,192	\$ -	\$ 143,864	\$ 480,795	\$ 252,173
Cash and investments with fiscal agents	1,936,658	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Intergovernmental	-	-	494,099	-	-	-
Due from other funds	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,936,658</b>	<b>\$ 2,196,192</b>	<b>\$ 494,099</b>	<b>\$ 143,864</b>	<b>\$ 480,795</b>	<b>\$ 252,173</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 282,255	\$ -	\$ -	\$ -
Due to other funds	-	-	192,249	-	-	-
Unearned revenue	-	-	19,595	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>494,099</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenue	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>						
Restricted	1,936,658	2,196,192	-	143,864	480,795	252,173
Unassigned (deficit)	-	-	-	-	-	-
<b>Total fund balances</b>	<b>1,936,658</b>	<b>2,196,192</b>	<b>-</b>	<b>143,864</b>	<b>480,795</b>	<b>252,173</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,936,658</b>	<b>\$ 2,196,192</b>	<b>\$ 494,099</b>	<b>\$ 143,864</b>	<b>\$ 480,795</b>	<b>\$ 252,173</b>

(Continued)

**City of Calexico**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2017**

	Capital Projects					
	DIF - General Government	DIF - Traffic	DIF - Police	DIF - Fire	Cole Road Improvements	Northwest Area Development
<b>ASSETS</b>						
Cash and investments	\$ 311,947	\$ 743,148	\$ 68,583	\$ -	\$ 1,514,978	\$ 517,700
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Due from other funds	-	891,060	111,927	-	-	-
<b>Total assets</b>	<b>\$ 311,947</b>	<b>\$ 1,634,208</b>	<b>\$ 180,510</b>	<b>\$ -</b>	<b>\$ 1,514,978</b>	<b>\$ 517,700</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	241,767	-	-
Unearned revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>241,767</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenue	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>						
Restricted	311,947	1,634,208	180,510	-	1,514,978	517,700
Unassigned (deficit)	-	-	-	(241,767)	-	-
<b>Total fund balances</b>	<b>311,947</b>	<b>1,634,208</b>	<b>180,510</b>	<b>(241,767)</b>	<b>1,514,978</b>	<b>517,700</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 311,947</b>	<b>\$ 1,634,208</b>	<b>\$ 180,510</b>	<b>\$ -</b>	<b>\$ 1,514,978</b>	<b>\$ 517,700</b>

(Continued)

**City of Calexico**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2017**

	Capital Projects					Other Governmental Funds
	East Area Facilities Plan	Corsair, LLC	Mega Park	New River Grants	La Jolla Palms/ Hearthstone	
<b>ASSETS</b>						
Cash and investments	\$ 891,175	\$ -	\$ -	\$ 28,860	\$ 1,000,000	\$ 14,706,357
Cash and investments with fiscal agents	-	-	-	-	-	2,936,246
Receivables:						
Accounts	-	332,647	-	-	-	515,498
Intergovernmental	-	-	-	69,885	-	1,871,214
Due from other funds	-	-	-	-	-	2,485,130
<b>Total assets</b>	<b>\$ 891,175</b>	<b>\$ 332,647</b>	<b>\$ -</b>	<b>\$ 98,745</b>	<b>\$ 1,000,000</b>	<b>\$ 22,514,445</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ 4,254	\$ -	\$ 3,483	\$ 1,000,000	\$ 1,671,164
Due to other funds	-	328,393	-	69,209	-	1,915,974
Unearned revenue	-	-	-	26,053	-	45,648
<b>Total liabilities</b>	<b>-</b>	<b>332,647</b>	<b>-</b>	<b>98,745</b>	<b>1,000,000</b>	<b>3,632,786</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenue	-	-	-	-	-	76,677
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,677</b>
<b>Fund Balances:</b>						
Restricted	891,175	-	-	-	-	19,046,749
Unassigned (deficit)	-	-	-	-	-	(241,767)
<b>Total fund balances</b>	<b>891,175</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,804,982</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 891,175</b>	<b>\$ 332,647</b>	<b>\$ -</b>	<b>\$ 98,745</b>	<b>\$ 1,000,000</b>	<b>\$ 22,514,445</b>

(Concluded)

**City of Calexico**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2017**

Special Revenue

	Library Grant	Community Donations	Art in Public Places	Cannabis Permits	Gas Tax	LTF Article 3
<b>REVENUES:</b>						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	40,365	-	-	-	750,255	-
Charges for services	-	-	941	54,477	-	-
Use of money and property	-	-	-	-	6,119	1,204
Other revenues	-	61,007	-	-	-	-
<b>Total revenues</b>	<b>40,365</b>	<b>61,007</b>	<b>941</b>	<b>54,477</b>	<b>756,374</b>	<b>1,204</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	677,572	-
Culture and recreation	40,365	88,559	-	54,477	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>40,365</b>	<b>88,559</b>	<b>-</b>	<b>54,477</b>	<b>677,572</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(27,552)</b>	<b>941</b>	<b>-</b>	<b>78,802</b>	<b>1,204</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(27,552)</b>	<b>941</b>	<b>-</b>	<b>78,802</b>	<b>1,204</b>
<b>FUND BALANCES:</b>						
Beginning of year	-	178,489	74,519	-	1,563,997	370,171
End of year	\$ -	\$ 150,937	\$ 75,460	\$ -	\$ 1,642,799	\$ 371,375

(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, 2017**

	Special Revenue					Office of Emergency Services
	TDA	Asset Forfeiture	Prop 172 Public Safety Sales Tax	State COPS Grant	Operation Stonegarden	
<b>REVENUES:</b>						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	5,562	149,928	100,001	23,164	-
Charges for services	-	-	-	-	-	-
Use of money and property	303	-	-	-	83	-
Other revenues	-	-	-	-	-	-
<b>Total revenues</b>	<b>303</b>	<b>5,562</b>	<b>149,928</b>	<b>100,001</b>	<b>23,247</b>	<b>-</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	5,562	149,928	100,001	23,247	12,305
Public works	5,640	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>5,640</b>	<b>5,562</b>	<b>149,928</b>	<b>100,001</b>	<b>23,247</b>	<b>12,305</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,337)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,305)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(5,337)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,305)</b>
<b>FUND BALANCES:</b>						
Beginning of year	132,771	-	-	-	-	12,305
End of year	\$ 127,434	\$ -	\$ -	\$ -	\$ -	\$ -

(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, 2017**

	Special Revenue					
	Bravo-Victoria Eastside Village Assessment	Other Operating Grants	IVECA	General Plan Update	Solid Waste	Business Improvement District
<b>REVENUES:</b>						
Other taxes	\$ 217,608	\$ -	\$ 86,265	\$ -	\$ -	\$ -
Intergovernmental	-	6,931	-	-	-	37,198
Charges for services	981,304	-	-	-	1,846,306	420
Use of money and property	3,976	-	-	28	2,617	220
Other revenues	-	-	-	-	-	-
<b>Total revenues</b>	<b>1,202,888</b>	<b>6,931</b>	<b>86,265</b>	<b>28</b>	<b>1,848,923</b>	<b>37,838</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	28,075
Public safety	-	6,931	101,141	-	-	-
Public works	-	-	-	-	1,811,638	-
Culture and recreation	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>14,810</b>	<b>6,931</b>	<b>101,141</b>	<b>-</b>	<b>1,811,638</b>	<b>28,075</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,188,078</b>	<b>-</b>	<b>(14,876)</b>	<b>28</b>	<b>37,285</b>	<b>9,763</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	14,876	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>14,876</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,188,078</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>37,285</b>	<b>9,763</b>
<b>FUND BALANCES:</b>						
Beginning of year	-	-	-	8,083	562,523	51,899
End of year	<b>\$ 1,188,078</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,111</b>	<b>\$ 599,808</b>	<b>\$ 61,662</b>

(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, 2017**

	Special Revenue					Debt Service
	Federal HOME Grant Fund	Successor Housing	State CalHOME Grant	Federal CDBG Grant	Local Housing Programs	Measure H Debt Service
<b>REVENUES:</b>						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	176,433	-	972,430	297,539	252,429	-
Charges for services	3,600	-	-	-	-	-
Use of money and property	-	19,370	-	-	803	1,337
Other revenues	-	-	-	-	-	-
<b>Total revenues</b>	<b>180,033</b>	<b>19,370</b>	<b>972,430</b>	<b>297,539</b>	<b>253,232</b>	<b>1,337</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	2,750
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing	14,606	200,000	-	11,078	50,965	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	545,000
Interest and fiscal charges	-	-	-	-	-	453,000
<b>Total expenditures</b>	<b>14,606</b>	<b>200,000</b>	<b>-</b>	<b>11,078</b>	<b>50,965</b>	<b>1,000,750</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>165,427</b>	<b>(180,630)</b>	<b>972,430</b>	<b>286,461</b>	<b>202,267</b>	<b>(999,413)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	153,874	-	69,294	-	-	1,000,493
Transfers out	-	-	(153,874)	-	(69,295)	-
<b>Total other financing sources (uses)</b>	<b>153,874</b>	<b>-</b>	<b>(84,580)</b>	<b>-</b>	<b>(69,295)</b>	<b>1,000,493</b>
<b>Net change in fund balances</b>	<b>319,301</b>	<b>(180,630)</b>	<b>887,850</b>	<b>286,461</b>	<b>132,972</b>	<b>1,080</b>
<b>FUND BALANCES:</b>						
Beginning of year	2,475	2,548,933	(887,850)	658,808	(7,023)	998,508
End of year	<u>\$ 321,776</u>	<u>\$ 2,368,303</u>	<u>\$ -</u>	<u>\$ 945,269</u>	<u>\$ 125,949</u>	<u>\$ 999,588</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, 2017**

	Debt Service		Capital Projects			
	Measure D Debt Service	General Capital Projects	Capital Grants	DIF - Libraries	DIF - Parks/ Recreation	DIF - Parking
<b>REVENUES:</b>						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,121,226	-	835,260	-	-	-
Charges for services	-	-	-	5,922	11,727	-
Use of money and property	11,699	7,824	-	513	1,713	898
Other revenues	-	-	-	-	-	-
<b>Total revenues</b>	<b>1,132,925</b>	<b>7,824</b>	<b>835,260</b>	<b>6,435</b>	<b>13,440</b>	<b>898</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	177,400	120,981	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	714,279	-	-	-
Debt service:						
Principal	615,000	-	-	-	-	-
Interest and fiscal charges	514,750	-	-	-	-	-
<b>Total expenditures</b>	<b>1,129,750</b>	<b>177,400</b>	<b>835,260</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,175</b>	<b>(169,576)</b>	<b>-</b>	<b>6,435</b>	<b>13,440</b>	<b>898</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>3,175</b>	<b>(169,576)</b>	<b>-</b>	<b>6,435</b>	<b>13,440</b>	<b>898</b>
<b>FUND BALANCES:</b>						
Beginning of year	1,933,483	2,365,768	-	137,429	467,355	251,275
End of year	\$ 1,936,658	\$ 2,196,192	\$ -	\$ 143,864	\$ 480,795	\$ 252,173

(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, 2017**

	Capital Projects					
	DIF - General Government	DIF - Traffic	DIF - Police	DIF - Fire	Cole Road Improvements	Northwest Area Development
<b>REVENUES:</b>						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	1,304	8,667	5,292	5,508	-	-
Use of money and property	1,111	5,822	644	-	5,397	1,845
Other revenues	-	-	-	-	-	-
<b>Total revenues</b>	<u>2,415</u>	<u>14,489</u>	<u>5,936</u>	<u>5,508</u>	<u>5,397</u>	<u>1,845</u>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,415</u>	<u>14,489</u>	<u>5,936</u>	<u>5,508</u>	<u>5,397</u>	<u>1,845</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>2,415</u>	<u>14,489</u>	<u>5,936</u>	<u>5,508</u>	<u>5,397</u>	<u>1,845</u>
<b>FUND BALANCES:</b>						
Beginning of year	309,532	1,619,719	174,574	(247,275)	1,509,581	515,855
End of year	<u>\$ 311,947</u>	<u>\$ 1,634,208</u>	<u>\$ 180,510</u>	<u>\$ (241,767)</u>	<u>\$ 1,514,978</u>	<u>\$ 517,700</u>

**City of Calexico**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2017**

	Capital Projects					Other Governmental Funds
	East Area Facilities Plan	Corsair, LLC	Mega Park	New River Grants	La Jolla Palms/ Hearthstone	
<b>REVENUES:</b>						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,873
Intergovernmental	-	-	-	344,777	-	5,113,498
Charges for services	-	21,590	-	-	-	2,947,058
Use of money and property	3,175	-	-	-	3,580	80,281
Other revenues	-	-	-	-	-	61,007
<b>Total revenues</b>	<u>3,175</u>	<u>21,590</u>	<u>-</u>	<u>344,777</u>	<u>3,580</u>	<u>8,505,717</u>
<b>EXPENDITURES:</b>						
Current:						
General government	-	21,590	7,955	-	-	60,370
Public safety	-	-	-	-	-	399,115
Public works	-	-	-	-	-	2,793,231
Culture and recreation	-	-	-	-	-	183,401
Housing	-	-	-	-	-	276,649
Capital outlay	-	-	-	344,777	1,000,000	2,059,056
Debt service:						
Principal	-	-	-	-	-	1,160,000
Interest and fiscal charges	-	-	-	-	-	967,750
<b>Total expenditures</b>	<u>-</u>	<u>21,590</u>	<u>7,955</u>	<u>344,777</u>	<u>1,000,000</u>	<u>7,914,382</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,175</u>	<u>-</u>	<u>(7,955)</u>	<u>-</u>	<u>(996,420)</u>	<u>591,335</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	7,955	-	-	1,246,492
Transfers out	-	-	-	-	(4,859)	(228,028)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>7,955</u>	<u>-</u>	<u>(4,859)</u>	<u>1,018,464</u>
<b>Net change in fund balances</b>	<u>3,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,001,279)</u>	<u>1,609,799</u>
<b>FUND BALANCES:</b>						
Beginning of year	888,000	-	-	-	1,001,279	17,195,183
End of year	<u>\$ 891,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,804,982</u>

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**INTERNAL SERVICE FUNDS**

**City of Calexico**  
**Statement of Net Position**  
**All Internal Service Funds**  
**June 30, 2017**

	Payroll	Medical Active	Medical Retirees	Workers' Compensation
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and investments	\$ -	\$ -	\$ -	\$ 18,804
Accounts receivable, net	-	159,799	-	-
Intergovernmental receivable	50,311	-	-	-
Due from other funds	-	8,562	46,792	287,086
Deposits	-	-	-	125,000
Inventories and prepaid items	-	-	-	-
<b>Total current assets</b>	<u>50,311</u>	<u>168,361</u>	<u>46,792</u>	<u>430,890</u>
<b>Total assets</b>	<u>50,311</u>	<u>168,361</u>	<u>46,792</u>	<u>430,890</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	-	168,361	46,792	36,147
Interest payable	-	-	-	11,772
Due to other funds	50,311	-	-	-
Claims payable - due within one year	-	-	-	394,743
Long-term debt - due within one year	-	-	-	-
<b>Total current liabilities</b>	<u>50,311</u>	<u>168,361</u>	<u>46,792</u>	<u>442,662</u>
<b>Noncurrent liabilities:</b>				
Claims payable - due in more than one year	-	-	-	941,257
Long term debt - due in more than one year	-	-	-	504,580
<b>Total noncurrent liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,445,837</u>
<b>Total liabilities</b>	<u>50,311</u>	<u>168,361</u>	<u>46,792</u>	<u>1,888,499</u>
<b>NET POSITION</b>				
Unrestricted (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,457,609)</u>
<b>Total net position</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,457,609)</u>

(Continued)

**City of Calexico**  
**Statement of Net Position (Continued)**  
**All Internal Service Funds**  
**June 30, 2017**

	General Liability	Unemployment Insurance	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 2,658	\$ -	\$ 21,462
Accounts receivable, net	-	-	159,799
Intergovernmental receivable	-	-	50,311
Due from other funds	106,873	3,618	452,931
Deposits	50,000	-	175,000
Inventories and prepaid items	4,853	-	4,853
<b>Total current assets</b>	<b>164,384</b>	<b>3,618</b>	<b>864,356</b>
<b>Total assets</b>	<b>164,384</b>	<b>3,618</b>	<b>864,356</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	13,030	3,047	267,377
Interest payable	22,503	-	34,275
Due to other funds	-	-	50,311
Claims payable - due within one year	150,867	-	545,610
Long-term debt - due within one year	9,129	-	9,129
<b>Total current liabilities</b>	<b>195,529</b>	<b>3,047</b>	<b>906,702</b>
<b>Noncurrent liabilities:</b>			
Claims payable - due in more than one year	244,400	-	1,185,657
Long term debt - due in more than one year	1,541,612	-	2,046,192
<b>Total noncurrent liabilities</b>	<b>1,786,012</b>	<b>-</b>	<b>3,231,849</b>
<b>Total liabilities</b>	<b>1,981,541</b>	<b>3,047</b>	<b>4,138,551</b>
<b>NET POSITION</b>			
Unrestricted (deficit)	(1,817,157)	571	(3,274,195)
<b>Total net position</b>	<b>\$ (1,817,157)</b>	<b>\$ 571</b>	<b>\$ (3,274,195)</b>

(Concluded)

**City of Calexico**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2017**

	Payroll	Medical Active	Medical Retirees	Workers' Compensation
<b>OPERATING REVENUES:</b>				
Charges for services	\$ -	\$ 2,394,586	\$ 433,610	\$ 697,594
<b>Total operating revenues</b>	<b>-</b>	<b>2,394,586</b>	<b>433,610</b>	<b>697,594</b>
<b>OPERATING EXPENSES:</b>				
Insurance	-	-	-	325,904
Claim payments	-	1,837,993	426,933	637,970
Claims administration	-	439,044	124,830	8,007
<b>Total operating expenses</b>	<b>-</b>	<b>2,277,037</b>	<b>551,763</b>	<b>971,881</b>
<b>OPERATING INCOME (LOSS)</b>	<b>-</b>	<b>117,549</b>	<b>(118,153)</b>	<b>(274,287)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment earnings	-	474	-	2,181
Interest expense	-	-	-	(11,772)
<b>Total nonoperating revenues (expenses)</b>	<b>-</b>	<b>474</b>	<b>-</b>	<b>(9,591)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>-</b>	<b>118,023</b>	<b>(118,153)</b>	<b>(283,878)</b>
<b>TRANSFERS:</b>				
Transfers in	-	-	118,072	-
Transfers out	-	(118,072)	-	-
<b>Total transfers</b>	<b>-</b>	<b>(118,072)</b>	<b>118,072</b>	<b>-</b>
<b>Changes in net position</b>	<b>-</b>	<b>(49)</b>	<b>(81)</b>	<b>(283,878)</b>
<b>NET POSITION:</b>				
Beginning of year	-	49	81	(1,173,731)
End of year	\$ -	\$ -	\$ -	\$ (1,457,609)

(Continued)

**City of Calexico**  
**Statement of Revenues, Expenses, and Changes in Net Position (Continued)**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2017**

	General Liability	Unemployment Insurance	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 941,169	\$ 29,114	\$ 4,496,073
<b>Total operating revenues</b>	<u>941,169</u>	<u>29,114</u>	<u>4,496,073</u>
<b>OPERATING EXPENSES:</b>			
Insurance	297,011	-	622,915
Claim payments	890,745	31,220	3,824,861
Claims administration	38,030	-	609,911
<b>Total operating expenses</b>	<u>1,225,786</u>	<u>31,220</u>	<u>5,057,687</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(284,617)</u>	<u>(2,106)</u>	<u>(561,614)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment earnings	699	571	3,925
Interest expense	(22,503)	-	(34,275)
<b>Total nonoperating revenues (expenses)</b>	<u>(21,804)</u>	<u>571</u>	<u>(30,350)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(306,421)</u>	<u>(1,535)</u>	<u>(591,964)</u>
<b>TRANSFERS:</b>			
Transfers in	-	-	118,072
Transfers out	-	-	(118,072)
<b>Total transfers</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Changes in net position</b>	(306,421)	(1,535)	(591,964)
<b>NET POSITION:</b>			
Beginning of year	(1,510,736)	2,106	(2,682,231)
End of year	<u>\$ (1,817,157)</u>	<u>\$ 571</u>	<u>\$ (3,274,195)</u>

(Concluded)

**City of Calexico**  
**Statement of Cash Flows**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2017**

	Payroll	Medical Active	Medical Retirees	Workers Compensation
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from users	\$ -	\$ 2,238,200	\$ 433,943	\$ 697,594
Cash payments for claims and insurance	-	(2,253,876)	(553,731)	(260,247)
<b>Net cash provided by (used in) operating activities</b>	<b>-</b>	<b>(15,676)</b>	<b>(119,788)</b>	<b>437,347</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Principal paid	-	-	-	(164,641)
Interest paid	-	-	-	-
Short-term interfund borrowing (lending)	-	127,620	(25,042)	(277,495)
Transfers in	-	-	118,072	-
Transfers out	-	(118,072)	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>-</b>	<b>9,548</b>	<b>93,030</b>	<b>(442,136)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	-	474	-	2,181
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>474</b>	<b>-</b>	<b>2,181</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>-</b>	<b>(5,654)</b>	<b>(26,758)</b>	<b>(2,608)</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	-	5,654	26,758	21,412
End of year	\$ -	\$ -	\$ -	\$ 18,804

(Continued)

**City of Calexico**  
**Statement of Cash Flows (Continued)**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2017**

	General Liability	Unemployment Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from users	\$ 941,169	\$ 29,114	\$ 4,340,020
Cash payments for claims and insurance	(810,816)	(28,173)	(3,906,843)
<b>Net cash provided by (used in) operating activities</b>	<b>130,353</b>	<b>941</b>	<b>433,177</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Principal paid	-	-	(164,641)
Interest paid	-	-	-
Short-term interfund borrowing (lending)	(192,690)	(3,618)	(371,225)
Transfers in	-	-	118,072
Transfers out	-	-	(118,072)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(192,690)</b>	<b>(3,618)</b>	<b>(535,866)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	699	571	3,925
<b>Net cash provided by investing activities</b>	<b>699</b>	<b>571</b>	<b>3,925</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(61,638)</b>	<b>(2,106)</b>	<b>(98,764)</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	64,296	2,106	120,226
End of year	\$ 2,658	\$ -	\$ 21,462

(Continued)

**City of Calexico**  
**Statement of Cash Flows (Continued)**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2017**

	<u>Payroll</u>	<u>Medical Active</u>	<u>Medical Retirees</u>	<u>Workers Compensation</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ -	\$ 117,549	\$ (118,153)	\$ (274,287)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in operating assets and liabilities:				
Accounts receivable	-	(156,386)	333	-
Inventories and prepaid items	-	-	-	-
Accounts payable	-	23,161	(1,968)	31,572
Claims payable	-	-	-	680,062
Total adjustments	<u>-</u>	<u>(133,225)</u>	<u>(1,635)</u>	<u>711,634</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ -</u>	<u>\$ (15,676)</u>	<u>\$ (119,788)</u>	<u>\$ 437,347</u>

(Continued)

**City of Calexico**  
**Statement of Cash Flows (Continued)**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2017**

	<u>General Liability</u>	<u>Unemployment Insurance</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (284,617)	\$ (2,106)	\$ (561,614)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Changes in operating assets and liabilities:			
Accounts receivable	-	-	(156,053)
Inventories and prepaid items	(4,853)	-	(4,853)
Accounts payable	8,030	3,047	63,842
Claims payable	411,793	-	1,091,855
Total adjustments	<u>414,970</u>	<u>3,047</u>	<u>994,791</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 130,353</u>	<u>\$ 941</u>	<u>\$ 433,177</u>

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**ALL AGENCY FUNDS**

**City of Calexico**  
**Combining Statement of Fiduciary Net Position**  
**All Agency Funds**  
**June 30, 2017**

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	Corsair 2013-1 Gran Plaza CFD	Towncenter CFD	Hearthstone 2005-1 CFD
<b>ASSETS</b>			
Cash and investments	\$ 266,963	\$ 11,139	\$ 93,365
Cash and investments with fiscal agents	960,491	-	503,383
Accounts receivable	-	-	152,859
<b>Total assets</b>	<b>\$ 1,227,454</b>	<b>\$ 11,139</b>	<b>\$ 749,607</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ 1,069
Due to bondholders	1,227,454	11,139	748,538
<b>Total liabilities</b>	<b>\$ 1,227,454</b>	<b>\$ 11,139</b>	<b>\$ 749,607</b>

**City of Calexico**  
**Combining Statement of Fiduciary Net Position (Continued)**  
**All Agency Funds**  
**June 30, 2017**

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	Venezia CFD	Total Agency Funds
<b>ASSETS</b>		
Cash and investments	\$ 21,274	\$ 392,741
Cash and investments with fiscal agents	-	1,463,874
Accounts receivable	-	152,859
<b>Total assets</b>	<b>\$ 21,274</b>	<b>\$ 2,009,474</b>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 1,069
Due to bondholders	21,274	2,008,405
<b>Total liabilities</b>	<b>\$ 21,274</b>	<b>\$ 2,009,474</b>

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