

City of Calexico

Calexico, California

Basic Financial Statements and Independent Auditors' Report

For the year ended June 30, 2014

City of Calexico
Basic Financial Statements
For the year ended June 30, 2014

Table of Contents

<u>FINANCIAL SECTION</u>	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities and Changes in Net Position	10
Fund Financial Statements:	
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet.....	16
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances.....	20
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	22
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Position.....	24
Statement of Revenues, Expenses and Changes in Net Position.....	25
Statement of Cash Flows.....	26
<i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Position	30
Statement of Changes in Fiduciary Net Position.....	31
Notes to Basic Financial Statements	33
Required Supplementary Information:	
Budgetary Information.....	78
General Fund.....	79
LTA Measure D Special Revenue Fund.....	80
Schedule of Funding Progress:	
Defined Benefit Pension Plan	81
Defined Other Postemployment Benefit Plan	81

City of Calexico
Basic Financial Statements
For the year ended June 30, 2014

Table of Contents (Continued)

	<u>Page</u>
<u>FINANCIAL SECTION (Continued)</u>	
Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	93
Non-Major Enterprise Funds:	
Combining Statement of Net Position	102
Combining Statement of Activities and Changes in Net Position	103
Combining Statement of Cash Flows	104
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position	106



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the 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, 2014, 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 of 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of GASB Statement No. 65

As discussed in Note 1 to the basic financial statements, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this standards required retrospective application of previously reported net position and reclassification of certain accounts at July 1, 2013 as described in Note 17 to the basic financial statements. Our opinion is not modified with respect to this matter.

GASB Statement No. 68

As further discussed in Note 18 to the basic financial statements, GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*. This statement requires state and local governments to display the actuarially determined Net Pension Liability in its financial statements effective with fiscal year 2014-2015. This Net Pension Liability is expected to be substantial. Our opinion is not modified with respect to this matter.

Improper Stewardship of Funds

As discussed in Note 15 to the basic financial statements, the expenditures exceeded appropriations for the General Fund and the LTA Measure D Special Revenue Fund. Our opinion is not modified with respect to this matter.

Investigation of Calexico Police Department

As discussed in Note 12D to the basic financial statements, the Calexico Police Department is currently under the investigation by the Federal Bureau of Investigation (FBI). Presently known effects of the investigation have been properly reported in the financial statements. Our opinion is not modified with respect to this matter.

Financial Uncertainty

The City has continued to suffer significant reductions in net position from operations. The City had net decreases of its net position in the amount of \$2,490,416 of its governmental activities and the General Fund has suffered significant reductions in fund balances by \$1,883,560 from operations. These conditions raise uncertainties regarding future operations. 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 this matter.

To the Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, California
Page 3

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Fund Budgetary Comparison Schedules and Schedules of Funding Progress for Pensions and OPEB Plans, as listed in the foregoing table of contents, 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.

For $\frac{1}{2}$ Mc GEADY LLP

San Diego, California
July 17, 2015

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Calexico
Statement of Net Position
June 30, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 21,541,823	\$ 23,543,916	\$ 45,085,739
Receivables:			
Accounts, net	5,365,706	9,040,250	14,405,956
Taxes	1,079,834	-	1,079,834
Other	-	1,690	1,690
Internal balances	207,445	(207,445)	-
Inventories and prepaid items	28,920	53,980	82,900
Total current assets	28,223,728	32,432,391	60,656,119
Noncurrent assets:			
Cash and investments with fiscal agents	24,258,813	988,640	25,247,453
Capital assets:			
Non-depreciable assets	8,379,895	7,922,266	16,302,161
Depreciable assets, net	44,263,809	34,312,912	78,576,721
Total capital assets	52,643,704	42,235,178	94,878,882
Total noncurrent assets	76,902,517	43,223,818	120,126,335
Total assets	105,126,245	75,656,209	180,782,454
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	3,024,147	782,941	3,807,088
Interest payable	124,409	119,783	244,192
Unearned revenue	18,092	-	18,092
Claims payable - due within one year	170,607	-	170,607
Long-term debt - due within one year	1,403,033	525,166	1,928,199
Total current liabilities	4,740,288	1,427,890	6,168,178
Noncurrent liabilities:			
Deposits payable	287,275	292,623	579,898
Compensated absences	1,683,564	338,293	2,021,857
Net OPEB liability	9,392,055	-	9,392,055
Claims payable - due in more than one year	2,861,026	-	2,861,026
Long-term debt - due in more than one year	27,237,446	13,992,803	41,230,249
Total noncurrent liabilities	41,461,366	14,623,719	56,085,085
Total liabilities	46,201,654	16,051,609	62,253,263
NET POSITION			
Net investment in capital assets	24,003,225	27,717,209	51,720,434
Restricted for:			
Special projects	19,748,926	-	19,748,926
Debt service	2,299,951	988,640	3,288,591
Capital projects	23,911,598	-	23,911,598
Total restricted	45,960,475	988,640	46,949,115
Unrestricted (deficit)	(11,039,109)	30,898,751	19,859,642
Total net position	\$ 58,924,591	\$ 59,604,600	\$ 118,529,191

City of Calexico
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 3,384,137	\$ 226,227	\$ 192,454	\$ -	\$ 418,681
Public safety	13,933,000	1,677,210	318,251	-	1,995,461
Public works	3,297,832	1,828,935	122,100	4,060,913	6,011,948
Culture and recreation	1,962,826	80,380	-	1,498,272	1,578,652
Community development	4,217,501	953,292	423,219	-	1,376,511
Depreciation (unallocated)	3,469,278	-	-	-	-
Interest and fiscal charges	849,378	-	-	-	-
Total governmental activities	<u>31,113,952</u>	<u>4,766,044</u>	<u>1,056,024</u>	<u>5,559,185</u>	<u>11,381,253</u>
Business-type activities:					
Water	4,924,454	7,598,011	-	4,601,536	12,199,547
Wastewater	3,242,078	6,336,822	-	-	6,336,822
Other	845,722	449,001	546,569	-	995,570
Total business-type activities	<u>9,012,254</u>	<u>14,383,834</u>	<u>546,569</u>	<u>4,601,536</u>	<u>19,531,939</u>
Total primary government	<u>\$ 40,126,206</u>	<u>\$ 19,149,878</u>	<u>\$ 1,602,593</u>	<u>\$ 10,160,721</u>	<u>\$ 30,913,192</u>

City of Calexico
Statement of Activities and Changes in Net Position (Continued)
For the Year Ended June 30, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (2,965,456)	\$ -	\$ (2,965,456)
Public safety	(11,937,539)	-	(11,937,539)
Public works	2,714,116	-	2,714,116
Culture and recreation	(384,174)	-	(384,174)
Community development	(2,840,990)	-	(2,840,990)
Depreciation (unallocated)	(3,469,278)	-	(3,469,278)
Interest and fiscal charges	(849,378)	-	(849,378)
Total governmental activities	<u>(19,732,699)</u>	<u>-</u>	<u>(19,732,699)</u>
Business-type activities:			
Water	-	7,275,093	7,275,093
Wastewater	-	3,094,744	3,094,744
Other	-	149,848	149,848
Total business-type activities	<u>-</u>	<u>10,519,685</u>	<u>10,519,685</u>
Total primary government	<u>(19,732,699)</u>	<u>10,519,685</u>	<u>(9,213,014)</u>
 General revenues:			
Taxes:			
Property taxes	5,352,690	-	5,352,690
Sales taxes	9,109,351	-	9,109,351
Motor vehicle license taxes	17,179	-	17,179
Transit occupancy taxes	199,933	-	199,933
Franchise taxes	892,813	-	892,813
Non-regulatory business license tax	713,822	-	713,822
Total taxes	<u>16,285,788</u>	<u>-</u>	<u>16,285,788</u>
Investment earnings	459,512	-	459,512
Miscellaneous	496,983	-	496,983
Total general revenues	<u>17,242,283</u>	<u>-</u>	<u>17,242,283</u>
Changes in net position	(2,490,416)	10,519,685	8,029,269
Net position - beginning of year, as restated (Note 17)	<u>61,415,007</u>	<u>49,084,915</u>	<u>110,499,922</u>
Net position - end of year	<u>\$ 58,924,591</u>	<u>\$ 59,604,600</u>	<u>\$ 118,529,191</u>

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Proprietary Fund Financial Statements
Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

City of Calexico
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds		
	General Fund	LTA Measure D Special Revenue Fund	City Debt Service Fund
ASSETS			
Cash and investments	\$ 1,835,454	\$ 7,326,684	\$ -
Cash and investments with fiscal agents	-	-	24,258,813
Receivables:			
Accounts	6,168	-	-
Taxes	937,260	111,251	-
Due from other funds	1,885,531	1,315,425	-
Inventories and prepaid items	23,161	-	-
Total assets	\$ 4,687,574	\$ 8,753,360	\$ 24,258,813
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 697,106	\$ 1,751,268	\$ -
Due to other funds	-	-	-
Deposits payable	96,747	-	-
Deferred revenue	-	-	-
Total liabilities	793,853	1,751,268	-
Fund Balances:			
Non-spendable	23,161	-	-
Restricted	275,198	5,272,554	24,258,813
Unassigned (deficit)	3,595,362	1,729,538	-
Total fund balances	3,893,721	7,002,092	24,258,813
Total liabilities and fund balances	\$ 4,687,574	\$ 8,753,360	\$ 24,258,813

City of Calexico
Balance Sheet
Governmental Funds (Continued)
June 30, 2014

	<u>Major Funds</u>		
	<u>Measure D Capital Projects Funds</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ -	\$ 12,379,685	\$ 21,541,823
Cash and investments with fiscal agents	-	-	24,258,813
Receivables:			
Accounts	1,315,425	4,044,113	5,365,706
Taxes	-	31,323	1,079,834
Due from other funds	-	-	3,200,956
Inventories and prepaid items	-	5,759	28,920
Total assets	\$ 1,315,425	\$ 16,460,880	\$ 55,476,052
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 575,773	\$ 3,024,147
Due to other funds	1,315,425	1,678,086	2,993,511
Deposits payable	-	190,528	287,275
Deferred revenue	-	18,092	18,092
Total liabilities	1,315,425	2,462,479	6,304,933
Fund Balances:			
Non-spendable	-	5,759	28,920
Restricted	-	14,735,464	44,542,029
Unassigned (deficit)	-	(742,822)	4,582,078
Total fund balances	-	13,998,401	49,153,027
Total liabilities and fund balances	\$ 1,315,425	\$ 16,460,880	\$ 55,457,960

City of Calexico
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2014

Total Fund Balances - Total Governmental Funds	<u>\$ 49,153,027</u>
Amounts reported for governmental activities in the Statement of Net Assets were different because:	
Capital assets used in governmental activities were not financial resources and therefore were not reported in the governmental funds.	
Nondepreciable	8,379,895
Depreciable, net of accumulated depreciation	<u>44,263,809</u>
Total capital assets	<u>52,643,704</u>
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.	
Compensated absences	(1,683,564)
Claims payable - due within one year	(170,607)
Long-term liabilities - due within one year	(1,403,033)
Claims payable - due in more than one year	(2,861,026)
Long-term liabilities - due in more than one year	<u>(27,237,446)</u>
Total long-term liabilities	<u>(33,355,676)</u>
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds.	
	<u>(124,409)</u>
Net OPEB liability was not due and payable in the current period and therefore was not reported in the governmental funds.	
	<u>(9,392,055)</u>
Net Position of Governmental Activities	<u><u>\$ 58,924,591</u></u>

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City of Calexico
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	Major Funds		
	General Fund	LTA Measure D Special Revenue Fund	City Debt Service Fund
REVENUES:			
Taxes	\$ 12,688,468	\$ -	\$ -
Licenses, permits and fees	978,869	-	-
Intergovernmental	1,128,317	2,209,606	1,127,669
Charges for services	1,469,589	-	-
Development fees	-	-	-
Fines and forfeitures	264,319	-	-
Use of money and property	276,008	-	10,373
Other revenues	268,766	316	-
Total revenues	17,074,336	2,209,922	1,138,042
EXPENDITURES:			
Current:			
General government	2,438,255	-	-
Public safety	12,094,610	-	-
Public works	262,293	1,380	-
Culture and recreation	1,733,363	-	-
Community development	1,475,923	-	-
Capital outlay	567,235	479,004	-
Debt service:			
Principal	373,012	-	555,000
Interest and fiscal charges	-	-	797,149
Total expenditures	18,944,691	480,384	1,352,149
REVENUES OVER (UNDER) EXPENDITURES	(1,870,355)	1,729,538	(214,107)
OTHER FINANCING SOURCES (USES):			
Proceeds from bond issuance	-	-	12,109,940
Transfers in	3,650	-	-
Transfers out	(16,855)	-	(3,000,000)
Total other financing sources (uses)	(13,205)	-	9,109,940
NET CHANGE IN FUND BALANCE	(1,883,560)	1,729,538	8,895,833
FUND BALANCES:			
Beginning of year, as restated (Note 17)	5,777,281	5,272,554	15,362,980
End of year	<u>\$ 3,893,721</u>	<u>\$ 7,002,092</u>	<u>\$ 24,258,813</u>

City of Calexico
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds (Continued)
For the Year Ended June 30, 2014

	Major Funds		
	Measure D Capital Projects Funds	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ -	\$ 59,912	\$ 12,748,380
Licenses, permits and fees	-	-	978,869
Intergovernmental	1,315,425	3,748,009	9,529,026
Charges for services	-	1,819,300	3,288,889
Development fees	-	624,041	624,041
Fines and forfeitures	-	7,306	271,625
Use of money and property	-	399,354	685,735
Other revenues	-	227,889	496,971
Total revenues	1,315,425	6,885,811	28,623,536
EXPENDITURES:			
Current:			
General government	-	236,493	2,674,748
Public safety	-	727,830	12,822,440
Public works	-	2,793,900	3,057,573
Culture and recreation	-	48,951	1,782,314
Community development	-	2,451,797	3,927,720
Capital outlay	4,315,425	533,321	5,894,985
Debt service:			
Principal	-	-	928,012
Interest and fiscal charges	-	-	797,149
Total expenditures	4,315,425	6,792,292	31,884,941
REVENUES OVER (UNDER)			
EXPENDITURES	(3,000,000)	93,519	(3,261,405)
OTHER FINANCING SOURCES (USES):			
Proceeds from bond issuance	-	-	12,109,940
Transfers in	3,000,000	452,859	3,456,509
Transfers out	-	(439,654)	(3,456,509)
Total other financing sources (uses)	3,000,000	13,205	12,109,940
NET CHANGE IN FUND BALANCE	-	106,724	8,848,535
FUND BALANCES:			
Beginning of year, as restated (Note 17)	-	13,891,677	40,304,492
End of year	\$ -	\$ 13,998,401	\$ 49,153,027

City of Calexico
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 8,848,535

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

Governmental funds reported capital outlay as expenditures. Capital outlay expenditures were included in the Statement of Revenues, Expenditures, and Changes in Fund Balances throughout various departments. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over the estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. The amount of repairs and maintenance included in Capital Outlay was \$552,075. 6,447,060

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. (3,469,278)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) decreased Net Position. (31,863)

Long-term claims payable were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, the change in long-term claims payable was not reported as an expenditure in governmental funds. (1,192,610)

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. (44,234)

Issuance of long-term debt was a revenue in governmental funds, but the issuance increased long-term liabilities in the Government-Wide Statement of Net Position.

Long term debt	(11,200,000)
Bond premium	(909,940)

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	675,000
Capital lease payment	253,012

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	8,552
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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. (52,229)

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. (1,822,421)

Change in Net Position of Governmental Activities \$ (2,490,416)

PROPRIETARY FUND FINANCIAL STATEMENTS

City of Calexico
Statement of Net Position
Proprietary Funds
June 30, 2014

	Major Funds		Non-Major Enterprise Funds	Total
	Water	Wastewater		
ASSETS				
Current assets:				
Cash and investments	\$ 11,630,254	\$ 11,768,600	\$ 145,062	\$ 23,543,916
Cash and investments with fiscal agents	988,640	-	-	988,640
Accounts receivable, net	6,797,799	1,859,973	382,478	9,040,250
Other receivables	1,218	472	-	1,690
Inventories and prepaid items	3,182	532	50,266	53,980
Total current assets	19,421,093	13,629,577	577,806	33,628,476
Noncurrent assets:				
Capital assets:				
Non-depreciable	6,175,966	1,453,534	292,766	7,922,266
Depreciable, net	24,720,478	8,717,808	874,626	34,312,912
Total net capital assets	30,896,444	10,171,342	1,167,392	42,235,178
Total noncurrent assets	30,896,444	10,171,342	1,167,392	42,235,178
Total assets	50,317,537	23,800,919	1,745,198	75,863,654
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	608,874	78,019	96,048	782,941
Interest payable	102,399	17,384	-	119,783
Due to other funds	-	-	207,445	207,445
Long term debt, due within one year	370,000	155,166	-	525,166
Total current liabilities	1,081,273	250,569	303,493	1,635,335
Noncurrent liabilities:				
Deposits payable	286,102	6,521	-	292,623
Compensated absences	216,875	121,418	-	338,293
Bonds payable, net	13,660,000	332,803	-	13,992,803
Total noncurrent liabilities	14,162,977	460,742	-	14,623,719
Total liabilities	15,244,250	711,311	303,493	16,259,054
NET POSITION				
Net investment in capital assets	16,866,444	9,683,373	1,167,392	27,717,209
Restricted for:				
Debt service	988,640	-	-	988,640
Unrestricted	17,218,203	13,406,235	274,313	30,898,751
Total net position	\$ 35,073,287	\$ 23,089,608	\$ 1,441,705	\$ 59,604,600

City of Calexico
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Major Funds		Non-Major Enterprise Funds	Total
	Water	Wastewater		
OPERATING REVENUES:				
Charges for services	\$ 7,598,011	\$ 6,336,822	\$ 414,798	\$ 14,349,631
Other revenue	2,340	31,863	-	34,203
Total operating revenues	7,600,351	6,368,685	414,798	14,383,834
OPERATING EXPENSES:				
Salaries and benefits	1,966,493	1,231,387	7,146	3,205,026
Material, supplies, and operational expenses	2,162,254	1,601,648	772,132	4,536,034
Depreciation	795,707	409,043	66,444	1,271,194
Total operating expenses	4,924,454	3,242,078	845,722	9,012,254
OPERATING INCOME (LOSS)	2,675,897	3,126,607	(430,924)	5,371,580
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	4,601,536	-	546,569	5,148,105
Total nonoperating revenues (expenses)	4,601,536	-	546,569	5,148,105
NET INCOME	7,277,433	3,126,607	115,645	10,519,685
Changes in net position	7,277,433	3,126,607	115,645	10,519,685
NET POSITION:				
Beginning of year, as restated (Note 17)	27,795,854	19,963,001	1,326,060	49,084,915
End of year	\$ 35,073,287	\$ 23,089,608	\$ 1,441,705	\$ 59,604,600

City of Calexico
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Major Funds		Non-Major Enterprise	Total
	Water	Wastewater	Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 2,584,890	\$ 5,760,969	\$ 373,251	\$ 8,719,110
Cash payments to suppliers for goods and services	(1,841,185)	(1,586,686)	(740,411)	(4,168,282)
Cash payments to employees for services	(1,978,879)	(1,249,027)	-	(3,227,906)
Other	-	-	(119,648)	(119,648)
Net cash provided by (used in) operating activities	(1,235,174)	2,925,256	(486,808)	1,203,274
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Intergovernmental revenue	4,601,536	-	546,569	5,148,105
Net cash provided by (used in) noncapital financing activities	4,601,536	-	546,569	5,148,105
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(5,050,049)	(597,968)	(154,993)	(5,803,010)
Principal paid on capital-related debt	(483,542)	(349,587)	-	(833,129)
Interest paid on capital-related debt	(315,853)	13,777	-	(302,076)
Net cash (used in) capital and related financing activities	(5,849,444)	(933,778)	(154,993)	(6,938,215)
Net increase (decrease) in cash and cash equivalents	(2,483,082)	1,991,478	(95,232)	(586,836)
CASH AND CASH EQUIVALENTS:				
Beginning of year	15,101,976	9,777,122	240,294	25,119,392
End of year	<u>\$ 12,618,894</u>	<u>\$ 11,768,600</u>	<u>\$ 145,062</u>	<u>\$ 24,532,556</u>

City of Calexico
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2014

	Major Funds		Non-Major Enterprise Funds	Total
	Water	Wastewater		
RECONCILIATION OF CASH AND INVESTMENTS TO STATEMENT OF NET POSITION:				
Cash and investments	\$ 11,630,254	\$ 11,768,600	\$ 145,062	\$ 23,543,916
Cash and investments with fiscal agents	988,640	-	-	988,640
Total cash and investments	\$ 12,618,894	\$ 11,768,600	\$ 145,062	\$ 24,532,556
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 2,675,897	\$ 3,126,607	\$ (430,924)	\$ 5,371,580
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	795,707	409,043	66,444	1,271,194
Changes in operating assets and liabilities:				
Accounts receivable	(5,054,315)	(606,737)	(34,401)	(5,695,453)
Inventories and prepaid items	(3,182)	(532)	(3,310)	(7,024)
Accounts payable and accrued liabilities	324,251	15,494	35,031	374,776
Deposits payable	38,854	(979)	-	37,875
Due to other funds	-	-	(24,713)	(24,713)
Deferred revenue	-	-	(94,935)	(94,935)
Compensated absences	(12,386)	(17,640)	-	(30,026)
Total adjustments	(3,911,071)	(201,351)	(55,884)	(4,168,306)
Net cash provided by (used in) operating activities	\$ (1,235,174)	\$ 2,925,256	\$ (486,808)	\$ 1,203,274

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FIDUCIARY FUND FINANCIAL STATEMENTS

City of Calexico
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds	Successor Agency to the Calexico Redevelopment Agency
ASSETS		
Current assets:		
Cash and investments	\$ 2,560,519	\$ 7,134,331
Cash and investments with fiscal agents	5,515,836	8,961,617
Accounts receivable	15,470	-
Inventories and prepaids	-	3,308
Total current assets	\$ 8,091,825	16,099,256
Noncurrent assets:		
Capital assets:		
Nondepreciable	-	1,439,214
Depreciable, net accumulated depreciation	-	2,870,311
Total noncurrent assets	-	4,309,525
Total assets	\$ 8,091,825	20,408,781
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	-	723,722
Total deferred outflows of resources	-	723,722
LIABILITIES		
Accounts payable	\$ 1,942,991	11,842
Due to bondholders	6,148,834	-
Interest payable	-	827,889
Long-term debt	-	37,671,997
Total liabilities	\$ 8,091,825	38,511,728
NET POSITION (DEFICIT)		
Held in trust for retirement of obligations of the former Community Redevelopment Agency of the City of Calexico		\$ (17,379,225)

City of Calexico
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	Successor Agency to the Calexico Redevelopment Agency
ADDITIONS:	
Property taxes	\$ 2,654,197
Investment earnings	171,569
Other revenue	347,392
Total additions	3,173,158
DEDUCTIONS:	
Administration expenses	102,418
Depreciation	74,316
Interest expense and fiscal charges	2,089,622
Total deductions	2,266,356
Change in net position	906,802
NET POSITION:	
Beginning of year, as restated (Note 17)	(18,286,027)
End of year	\$ (17,379,225)

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Calexico
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1	Reporting Entity and Summary of Significant Accounting Policies	35
2	Cash and Investments	43
3	Notes and Loans Receivable	47
4	Interfund Transactions	49
5	Capital Assets	50
6	Long-term Obligations	52
7	Risk Management	64
8	Public Employee Retirement System	66
9	Other Postemployment Benefits	68
10	Property Taxes	69
11	Joint Powers Agreement – Calexico Special Financing Authority	70
12	Commitments and Contingencies	71
13	Pollution Remediation Obligations	72
14	Self-Funded Medical, Dental and Vision Plan	72
15	Other Required Disclosures	73
16	Fund Balance Classification	74
17	Prior Period Adjustments	75
18	Subsequent Event	76

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Calexico, California (the “City”) have been prepared in conformity with Generally Accepted Accounting Principles (“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 principles. The more significant of the City’s accounting policies are described below:

A. Financial Reporting Entity

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

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

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

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

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 members of the City Council act as the governing board of the Housing Authority. 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.

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

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government – Wide and Fund Financial Statements

The City’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. 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.

Certain types of transactions are reported as program revenues for the City in three categories:

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

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. (In the Statement of Activities, 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

Governmental 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 present increases (revenue 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.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Revenues are recognized as soon as they are both “measurable” and “available”. Revenues are considered to be available when they are collectible within the current period as soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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.

Governmental Funds of the City are outlined below:

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. In the City, these services include general government, safety, community development, culture and recreation and public works.

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

City Debt Service Fund - This fund accounts for principal and interest payments on the City’s long-term debt.

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

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide 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.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

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 nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Proprietary Funds of the City are outlined below:

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.

Other Enterprise Funds - Other Enterprise Funds is the aggregate of all the non-major governmental funds.

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.

The **Agency Funds** are custodial in nature (assets equal liabilities) and use the accrual basis of accounting, but do not involve measurement of results of operations.

The **Private Purpose Trust Fund** is used to account for non-housing activities of the City of Calexico Successor Agency on behalf of the former Community Redevelopment Agency of the City of Calexico (the “Agency”).

C. Cash, Cash Equivalents and Investment

The City pools its available cash for investment purposes. The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash 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.

D. 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.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as “interfund balances.”

F. Inventories and Prepaid items

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

G. Capital Assets

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

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

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

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

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

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

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

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Capital Assets (Continued)

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

Capital Assets Acquired Under Lease Purchase Contracts

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

H. Compensated Absences

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

A liability is recorded for unused sick leave and unpaid vacation balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination benefits, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. The amounts accrued for financial statement purposes represent 100 percent of the vacation pay liability at June 30, 2014. 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.

I. Unearned Revenue

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

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

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs, 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. Issuance costs are reported as deferred charges.

Fund Financial Statements

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

K. 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.

When expenses are incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

L. Fund Balances

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

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

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

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

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Fund Balances (Continued)

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

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that particular fund.

At June 30, 2014, there was no committed and assigned fund balance.

M. 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.

N. Use of Estimates

The preparation of financial statements in conformity with U.S.GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

O. Accounting Changes

GASB has issued Statement No. 65, *Items previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This Statement became effective for periods beginning after December 14, 2012. Accounting changes adopted to conform to the provisions of this Statement should be applied retroactively and the impact is disclosed in Note 17 to the Basic Financial Statements.

GASB has issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The requirements of this statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement became effective for periods beginning after December 15, 2012 and did not have a significant impact on the City’s financial statements for year ended June 30, 2014.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Accounting Changes (Continued)

GASB has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The requirements of this statement enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This statement also enhances the information disclosed about a government’s obligations and risk exposure from extending nonexchange financial guarantees. This statement also augments the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. This statement became effective for period beginning after June 15, 2013 and did not have a significant impact on the City’s financial statements for the year ended June 30, 2014.

Note 2 – Cash and Investments

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

The following is a summary of cash and investments at June 30, 2014:

	Government-Wide Statement of Net Position			Fiduciary Funds	
	Governmental Activities	Business-Type Activities	Total	Statement of Net Position	Total
Cash and investments	\$ 21,541,823	\$ 23,543,916	\$ 45,085,739	\$ 9,694,850	\$ 54,780,589
Cash and investments with fiscal agent	24,258,813	988,640	25,247,453	14,477,453	39,724,906
Total	\$ 45,800,636	\$ 24,532,556	\$ 70,333,192	\$ 24,172,303	\$ 94,505,495

Cash, cash equivalents, and investments consisted of the following at June 30, 2014:

Cash and cash equivalents:	
Petty Cash	\$ 3,850
Demand Deposits	244,509
Total cash and cash equivalents	248,359
Investments:	
Federal Agency Securities	16,036,130
Local Area Investment Fund (LAIF)	872
Money Market Funds	38,495,228
Total investments	54,532,230
Total cash and investments	\$ 54,780,589

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 2 – Cash and Investments (Continued)

A. Cash Deposits

The carrying amounts of the City’s cash deposits were \$244,509 at June 30, 2014. Bank balances at June 30, 2014, were \$930,845. 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.

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.

B. Investments

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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 Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 2 – Cash and Investments (Continued)

B. Investments (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of risk.

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

C. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing shorter term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the City’s investments and those held by bond trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the City’s investments by maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity 1 Year or Less</u>
Federal Agency Securities	\$ 16,036,130	\$ 16,036,130
Local Agency Investment Fund	872	872
Held by Bond Trustees:		
Money Market Funds	38,495,228	38,495,228
Totals	<u>\$ 54,532,230</u>	<u>\$ 54,532,230</u>

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

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 2 – Cash and Investments (Continued)

C. Risk Disclosures (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City’s investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Totals</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Fiscal Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Federal Agency Securities	\$ 16,036,130	N/A	\$ 16,036,130	\$ -
Local Agency Investment Fund	872	N/A	-	872
Held by Bond Trustees:				
Money Market Funds	38,495,228	N/A	-	38,495,228
Totals	\$ 54,532,230		\$ 16,036,130	\$ 38,496,100

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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.

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the City’s total investments.

The following is a listing of the components of the City’s investment portfolio:

<u>Investments</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
Federal Agency Securities	\$ 16,036,130	29.41%
Local Agency Investment Fund	872	0.00%
Money Market Funds	38,495,228	70.59%
Total	\$ 54,532,230	100.00%

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 3 – Notes and Loans Receivable

A. Government-Wide Financial Statements

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

B. Fund Financial Statements

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

At June 30, 2014, notes and loans receivable consisted of the following:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Calexico Community Action Council	\$ 306,377	\$ -	\$ -	\$ 306,377
De Anza Limited Partnership #1	422,977	-	-	422,977
De Anza Limited Partnership #3	5,000,000	-	-	5,000,000
De Anza Renovation	759,332	-	-	759,332
Victoria Manor Senior Apartments	200,000	-	-	200,000
CFA, Limited Partnership	400,000	-	-	400,000
Calexico II, LP	3,400,000	-	-	3,400,000
HPD Villa Del Este, LP	1,363,887	-	-	1,363,887
Other Housing Loans	10,805,534	-	(313,141)	10,492,393
Total notes and loans receivable	<u>\$ 22,658,107</u>	<u>\$ -</u>	<u>\$ (313,141)</u>	<u>\$ 22,344,966</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, 2014, the outstanding balance was \$306,377.

De Anza Limited Partnership #1

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

De Anza Limited Partnership #3

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

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

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, 2014, 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, 2014, the outstanding balance of the note was \$200,000.

CFA, Limited Partnership

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

Calexico II, LP

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

HPD Villa Del Este, LP

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

Other Housing Loans

The City and Agency have established various loan programs which assist residents of the City in purchasing and/or rehabilitating their homes. These loans are in the form of fully amortized or deferred loans. The deferred loans are usually due upon sale of property. At June 30, 2014, the outstanding balance of the loans was \$10,492,393.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 4 – Interfund Transactions

A. Due To and Due From Other Funds

As of June 30, 2014, Due To/From Other Funds was as follows:

Due From Other Funds	Due To Other Funds		
	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Total
General Fund	\$ 1,678,086	\$ 207,445	\$ 1,885,531
Total	\$ 1,678,086	\$ 207,445	\$ 1,885,531

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, 2014, interfund transfers were as follows:

Transfers Out	Transfers In		
	General Fund	Non-major Governmental Funds	Total
General Fund	\$ -	\$ 16,855	\$ 16,855
Non-major Governmental Funds	3,650	436,004	439,654
Total	\$ 3,650	\$ 452,859	\$ 456,509

General Fund – Transfers were for operating support to subsidize library operations, park maintenance operations, summer youth recreation activities, and nutrition program for seniors operations. The General Fund transfers out totaled \$16,855.

Non-major Governmental Funds – Transfers were made between non-major funds to allocate costs among the funds.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 5 – Capital Assets

A. Governmental Activities

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

	Balance July 1, 2013	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2014
Non-depreciable Assets:					
Land	\$ 5,394,203	\$ -	\$ -	\$ -	\$ 5,394,203
Construction in progress	875,036	2,110,656	-	-	2,985,692
Total non-depreciable assets	<u>6,269,239</u>	<u>2,110,656</u>	<u>-</u>	<u>-</u>	<u>8,379,895</u>
Depreciable Assets:					
Building and improvements	20,784,592	6,046	-	(147,752)	20,642,886
Machinery and equipment	8,495,990	710,375	(924,903)	(344,777)	7,936,685
Infrastructure	90,976,453	3,619,983	-	-	94,596,436
Total depreciable assets, at cost	<u>120,257,035</u>	<u>4,336,404</u>	<u>(924,903)</u>	<u>(492,529)</u>	<u>123,176,007</u>
Less accumulated depreciation:					
Building and improvements	(8,663,526)	(452,456)	-	121,578	(8,994,404)
Machinery and equipment	(5,575,887)	(596,224)	924,903	339,088	(4,908,120)
Infrastructure	(62,589,076)	(2,420,598)	-	-	(65,009,674)
Total accumulated depreciation	<u>(76,828,489)</u>	<u>(3,469,278)</u>	<u>924,903</u>	<u>460,666</u>	<u>(78,912,198)</u>
Total depreciable assets, net	<u>43,428,546</u>	<u>867,126</u>	<u>-</u>	<u>(31,863)</u>	<u>44,263,809</u>
Total	<u>\$ 49,697,785</u>	<u>\$ 2,977,782</u>	<u>\$ -</u>	<u>\$ (31,863)</u>	<u>\$ 52,643,704</u>

Depreciation expense for capital assets of the governmental activities for the year ended June 30, 2014 was \$3,469,278 and was not allocated to any function or program.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 5 – Capital Assets (Continued)

B. Business-Type Activities

The following is a summary of capital assets for the business-type activities for the year end June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2014
Non-depreciable Assets:					
Land	\$ 210,000	\$ -	\$ -	\$ -	\$ 210,000
Construction in progress	2,648,967	5,063,299	-	-	7,712,266
Total non-depreciable assets	<u>2,858,967</u>	<u>5,063,299</u>	<u>-</u>	<u>-</u>	<u>7,922,266</u>
Depreciable Assets:					
Building and improvements	37,608,172	353,845	-	147,752	38,109,769
Machinery and equipment	7,797,383	270,532	-	344,777	8,412,692
Infrastructure	17,103,889	83,471	-	-	17,187,360
Total depreciable assets, at cost	<u>62,509,444</u>	<u>707,848</u>	<u>-</u>	<u>492,529</u>	<u>63,709,821</u>
Less accumulated depreciation:					
Building and improvements	(18,936,744)	(663,034)	-	(121,578)	(19,721,356)
Machinery and equipment	(3,764,417)	(356,656)	-	(339,088)	(4,460,161)
Infrastructure	(4,963,888)	(251,504)	-	-	(5,215,392)
Total accumulated depreciation	<u>(27,665,049)</u>	<u>(1,271,194)</u>	<u>-</u>	<u>(460,666)</u>	<u>(29,396,909)</u>
Total depreciable assets, net	<u>34,844,395</u>	<u>(563,346)</u>	<u>-</u>	<u>31,863</u>	<u>34,312,912</u>
Total	<u>\$ 37,703,362</u>	<u>\$ 4,499,953</u>	<u>\$ -</u>	<u>\$ 31,863</u>	<u>\$ 42,235,178</u>

Depreciation expense for capital assets of the business-type activities for the year ended June 30, 2014 was as follows:

Water	\$ 795,707
Wastewater	409,043
Airport	66,444
Total depreciation expense	<u>\$ 1,271,194</u>

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 5 – Capital Assets (Continued)

C. Fiduciary Funds

The following is a summary of capital assets for the fiduciary funds for the year end June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Non-depreciable Assets:				
Land	\$ 1,439,214	\$ -	\$ -	\$ 1,439,214
Total non-depreciable assets	1,439,214	-	-	1,439,214
Depreciable Assets:				
Building and improvements	3,747,247	-	-	3,747,247
Machinery and equipment	38,665	-	-	38,665
Total depreciable assets, at cost	3,785,912	-	-	3,785,912
Less accumulated depreciation:				
Building and improvements	(804,757)	(73,705)	-	(878,462)
Machinery and equipment	(36,528)	(611)	-	(37,139)
Total accumulated depreciation	(841,285)	(74,316)	-	(915,601)
Total depreciable assets, net	2,944,627	(74,316)	-	2,870,311
Total	\$ 4,383,841	\$ (74,316)	\$ -	\$ 4,309,525

Depreciation expense for capital assets of the fiduciary funds for the year ended June 30, 2014 was \$74,316.

Note 6 – Long-term Obligations

A. Governmental Activities

The following is a summary of long-term obligations for the governmental activities for the year ended June 30, 2014:

	Balance July 1, 2013	Debt Issued	Debt Retired	Balance June 30, 2014	Classification	
					Due in One Year	Due in more than One Year
Governmental Activities:						
Long-Term Debt:						
LTA Sales Tax Revenue Bonds	\$ 14,915,000	\$ -	\$ (555,000)	\$ 14,360,000	\$ 575,000	\$ 13,785,000
Bond Premium	76,972	-	(8,552)	68,420	-	68,420
Measure H Lease Revenue Bonds	-	11,200,000	-	11,200,000	615,000	10,585,000
Bond Premium	-	909,940	-	909,940	-	909,940
Notes Payable - Imperial County	90,000	-	(90,000)	-	-	-
Tax Sharing Agreement	76,000	-	(30,000)	46,000	-	46,000
Loan Payable - Wal-Mart	1,466,722	-	-	1,466,722	-	1,466,722
Capital Lease Obligations	842,409	-	(253,012)	589,397	213,033	376,364
Total long-term debt	17,467,103	12,109,940	(936,564)	28,640,479	1,403,033	27,237,446
Claims Payable	1,839,023	1,372,496	(179,886)	3,031,633	170,607	2,861,026
Total governmental activities	\$ 19,306,126	\$ 13,482,436	\$ (1,116,450)	\$ 31,672,112	\$ 1,573,640	\$ 30,098,472

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities

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 facilities of the Calexico Unified School District (“CUSD”) located in the Merged Central Business District and Residential Redevelopment Project Area (the “Project Area”), (ii) fund a reserve for the Bonds, and (iii) pay certain costs of issuing the Bonds. The Bonds are payable from and secured by the 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, 2014, the outstanding balance of the bonds was \$14,360,000. Total principal and interest remaining on the bond is \$20,620,575, payable through 2032.

The annual requirements to amortize the bonds outstanding at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 370,000	\$ 607,732	\$ 977,732
2016	385,000	594,046	979,046
2017	400,000	579,620	979,620
2018	415,000	564,335	979,335
2019	430,000	548,065	978,065
2020-2024	2,430,000	2,450,129	4,880,129
2025-2029	3,065,000	1,794,203	4,859,203
2030-2034	3,820,000	1,025,936	4,845,936
2035-2037	2,715,000	181,677	2,896,677
Total	\$ 14,030,000	\$ 8,345,744	\$ 22,375,744

Measure H Lease Revenue Bonds

On April 1, 2014, Calexico Financing Authority (the “Authority”) will issue 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 will be 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 will be payable solely from, and secured by, the Trust Estate and certain funds and accounts held under the Trust Agreement.

The issue consists 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, 2014, the outstanding balance of the bonds was \$11,200,000. Total principal and interest remaining on the bond is \$15,663,533, payable through 2030.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities Long-Term Obligations (Continued)

Measure H Lease Revenue Bonds (Continued)

The annual requirements to amortize the bonds outstanding at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 615,000	\$ 616,240	\$ 977,732
2016	525,000	461,100	979,046
2017	545,000	442,100	979,620
2018	565,000	419,900	979,335
2019	585,000	396,900	981,900
2020-2024	3,305,000	1,605,900	4,910,900
2025-2029	4,110,000	771,250	4,881,250
2030	950,000	23,750	973,750
Total	<u>\$ 11,200,000</u>	<u>\$ 4,737,140</u>	<u>\$ 15,663,533</u>

Note Payable – Imperial County

In July 2002, the City entered into an agreement with the Imperial County Local Agency Formation Commission (“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 for the International Center. The City agreed to pay the County \$190,000 interest free, payable solely from property tax revenues upon annexation of the area. At June 30, 2014, the balance was paid off in full.

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, 2014, 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 all direct and indirect costs of the public improvements. The total cost of these improvements was \$2,515,714. In accordance with the agreement, the City will reimburse Wal-Mart for the construction of the improvements. At June 30, 2014, the outstanding liability was \$1,466,722. However, the City is currently in litigation with Wal-Mart and has frozen all payments to Wal-Mart.

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

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities Long-Term Obligations (Continued)

Loan Payable – Wal-Mart Stores, Inc. (Continued)

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

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

Capital Lease Obligations

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

Fiscal Years Ending June 30,	Amount
2015	\$ 213,033
2016	204,862
2017	204,862
Total Minimum Lease Payments	622,757
Less Amount Representing Interest	(33,360)
Present Value of Minimum Lease Payments	<u>\$ 589,397</u>

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities Long-Term Obligations (Continued)

Claims Payable

Since its inception, the California Joint Powers Insurance Authority “the Authority,” has operated under a retrospective funding model for its liability and workers’ compensation programs. A change to the funding model was adopted in 2010 that will be fully implemented following the end of the 2012-2013 coverage period. During the transition from the retrospective funding model to the prospective funding model, retrospective deposit payments have been deferred. The unpaid portion of all retrospective adjustments on coverage periods up to and including 2009-2010 have been consolidated into a single aggregate retrospective balance. In accordance with the Retrospective Deposit Payment Policy, payments are scheduled to resume beginning July 1, 2013 for the Liability program and July 1, 2015 for the Workers’ Compensation program. Payments consist of a single annual payment due at the beginning of the fiscal year, on July 1st. The City has elected a 6 year payment option for both Liability and Workers’ Compensation program with interest rates ranging from 1.450% to 2.115% per annum. At June 30, 2014, the City’s outstanding balance was \$3,207,830.

The scheduled payments for the retrospective deposit liability at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 170,607	\$ 22,828	\$ 193,435
2016	378,063	19,219	397,282
2017	385,977	42,010	427,987
2018	394,058	34,275	428,333
2019	849,503	26,115	875,618
2020-2022	853,425	31,750	885,175
Total	\$ 3,031,633	\$ 176,197	\$ 3,207,830

Compensated Absences

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 \$1,639,330 at June 30, 2014. There is no fixed payment schedule for compensated absences.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-term Obligations (Continued)

B. Business-Type Activities Long-Term Obligations

The following is a summary of long-term obligations for the business-type activities for the year ended June 30, 2014:

	Balance July 1, 2013	Debt Issued	Debt Retired	Balance June 30, 2014	Classification	
					Due in One Year	Due in more than One Year
Business-Type Activities:						
Long-Term Debt:						
Certificates of Participation	\$ 685,000	\$ -	\$ (685,000)	\$ -	\$ -	\$ -
Lease Revenue Bonds	14,030,000	-	-	14,030,000	370,000	13,660,000
State Revolving Fund Loan	636,098	-	(148,129)	487,969	155,166	332,803
Total long-term debt	<u>15,351,098</u>	<u>-</u>	<u>(833,129)</u>	<u>14,517,969</u>	<u>525,166</u>	<u>13,992,803</u>
Total business-type activities	<u>\$ 15,351,098</u>	<u>\$ -</u>	<u>\$ (833,129)</u>	<u>\$ 14,517,969</u>	<u>\$ 525,166</u>	<u>\$ 13,992,803</u>

Certificates of Participation Payable

On June 1, 1997, the City, through the Agency, issued \$7,760,000 Lease Revenue Refunding Bonds Issue of 1997 Certificates of Participation to advance refund outstanding Water and Wastewater Improvement Project Certificates of Participation. The net proceeds were used to purchase government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the Water and Wastewater Improvement Project Certificates of Participation. As a result, the Water and Wastewater Improvement Project Certificates are considered to be refunded and the liability for those certificates has been removed from the financial records of the City. Interest on the Lease Revenue Refunding Bonds Issue of 1997 Certificates of Participation is payable semi-annually beginning November 1, 1997 with interest rates ranging from 3.0% to 5.0% per annum. Principal payments ranging from \$360,000 to \$685,000 are due annually beginning November 1, 1998. The Certificates of Participation were paid in full as of June 30, 2014.

Lease Revenue Bonds - 2007

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

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 \$22,375,744, payable through 2037.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-term Obligations (Continued)

B. Proprietary Activities Long-Term Obligations (Continued)

Lease Revenue Bonds – 2007 (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2015	\$ 370,000	\$ 607,732	\$ 977,732
2016	385,000	594,046	979,046
2017	400,000	579,620	979,620
2018	415,000	564,335	979,335
2019	430,000	548,065	978,065
2020-2024	2,430,000	2,450,129	4,880,129
2025-2029	3,065,000	1,794,203	4,859,203
2030-2034	3,820,000	1,025,936	4,845,936
2035-2037	2,715,000	181,677	2,896,677
Total	\$ 14,030,000	\$ 8,345,744	\$ 22,375,744

State Revolving Fund (SRF) Loan

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

The principal balance outstanding as of June 30, 2014, was \$487,969 after discounting the loan at the City's borrowing rate of 4.75%. The first annual payment was due and paid on October 3, 1997 and the final maturity date is October 3, 2016.

Year Ending June 30,	Principal	Interest	Total
2015	\$ 155,166	\$ 23,179	\$ 178,345
2016	162,536	15,808	178,344
2017	170,267	8,077	178,344
Total	\$ 487,969	\$ 47,064	\$ 535,033

Compensated Absences

In proprietary funds, the liability for vested and unpaid compensated absences (accrued vacation and sick pay) is reported in the funds as the benefits vest and are earned. The compensated absences accrued in the proprietary funds amount to \$338,293 at June 30, 2014. There is no fixed payment schedule for compensated absences.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-term Obligations (Continued)

C. Fiduciary Funds Long-Term Debt

The following is a summary of long-term obligations for the fiduciary funds for the year ended June 30, 2014:

	Balance July 1, 2013	Debt Issued	Debt Retired	Balance June 30, 2014	Classification	
					Due in One Year	Due in more than One Year
Tax Allocation Bonds - 2000	\$ 680,000	\$ -	\$ (15,000)	\$ 665,000	\$ 25,000	\$ 640,000
Tax Allocation Bonds - 2003A	13,050,000	-	(845,000)	12,205,000	870,000	11,335,000
Tax Allocation Bonds - 2003C	6,570,000	-	(260,000)	6,310,000	270,000	6,040,000
Tax Allocation Refunding Bonds - 2006	9,790,000	-	(40,000)	9,750,000	45,000	9,705,000
Tax Allocation Bonds - 2011	7,120,000	-	-	7,120,000	-	7,120,000
Bond Discount	(35,871)	-	1,794	(34,077)	-	(34,077)
Tax Allocation Bonds - 2011 School Dis	1,815,000	-	-	1,815,000	-	1,815,000
Bond Discount	(167,290)	-	8,364	(158,926)	-	(158,926)
Total Tax Allocation Bonds	\$ 38,821,839	\$ -	\$ (1,149,842)	\$ 37,671,997	\$ 1,210,000	\$ 36,461,997

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 \$680,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2014, the outstanding balance of the bonds was \$665,000. The total principal and interest remaining to be paid on the bond is \$987,055, payable through 2026.

The annual debt service requirements for the 2000 Tax Allocation Bonds at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 25,000	\$ 34,900	\$ 59,900
2016	25,000	33,625	58,625
2017	25,000	32,350	57,350
2018	25,000	31,040	56,040
2019	25,000	29,697	54,697
2020-2024	125,000	128,330	253,330
2025-2026	415,000	32,113	447,113
Total	\$ 665,000	\$ 322,055	\$ 987,055

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-term Obligations (Continued)

C. Fiduciary Funds Long-Term Debt (Continued)

2003A Tax Allocation Bonds

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

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

The bonds are being issued on a parity basis with the 2003B Tax Allocation Bonds and the 2000 Tax Allocation Bonds in the amount of \$3,275,000 and \$10,000,000, respectively. The outstanding balance of the bonds in the amount of \$13,430,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2014, the outstanding balance of the bonds was \$12,205,000. Total principal and interest remaining to be paid on the bond is \$15,834,200, payable through 2025.

The annual debt service requirements for the 2003A Tax Allocation Bonds at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 870,000	\$ 575,100	\$ 1,445,100
2016	905,000	539,600	1,444,600
2017	950,000	497,750	1,447,750
2018	990,000	449,250	1,439,250
2019	1,045,000	398,375	1,443,375
2020-2024	6,050,000	1,134,250	7,184,250
2025	1,395,000	34,875	1,429,875
Total	\$ 12,205,000	\$ 3,629,200	\$ 15,834,200

2003C Tax Allocation Bonds

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

The issue consists of serial bonds in the amount \$3,755,000 payable annually on August 1 of each year, commencing on August 1, 2004 and maturing in 2018 with interest rates ranging from 2.00% to 4.50%. The issue also consists of term bonds in the amount of \$4,845,000 payable on August 1, 2028 with an interest rate of 5.00%. The term bonds will be redeemed through sinking fund requirements beginning August 1, 2019. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off. . The outstanding balance of the bonds in the amount of \$6,820,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2014, the outstanding balance of the bonds was \$6,310,000. Total principal and interest remaining to be paid on the bonds is \$9,073,163, payable through 2029.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-term Obligations (Continued)

C. Fiduciary Funds Long-Term Debt (Continued)

2003C Tax Allocation Bonds (Continued)

The annual requirements to amortize the 2003A Tax Allocation Bonds outstanding at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 270,000	\$ 300,940	\$ 570,940
2016	280,000	288,565	568,565
2017	290,000	276,320	566,320
2018	305,000	263,513	568,513
2019	320,000	249,450	569,450
2020-2024	1,875,000	986,375	2,861,375
2025-2029	2,970,000	398,000	3,368,000
Total	\$ 6,310,000	\$ 2,763,163	\$ 9,073,163

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, 2014, the outstanding balance of the bonds was \$9,750,000. Total principal and interest remaining on the bond is \$15,511,959, payable through 2031.

The annual requirements to amortize the 2006 Tax Allocation Bonds outstanding at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 45,000	\$ 415,779	\$ 460,779
2016	45,000	414,091	459,091
2017	45,000	412,404	457,404
2018	50,000	410,575	460,575
2019	50,000	408,575	458,575
2020-2024	280,000	2,010,699	2,290,699
2025-2029	5,780,000	1,532,673	7,312,673
2030-2031	3,455,000	157,163	3,612,163
Total	\$ 9,750,000	\$ 5,761,959	\$ 15,511,959

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-term 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, 2014, the outstanding balance of the bonds was \$7,120,000. Total principal and interest remaining on the bond is \$16,616,775, payable through 2033.

The annual debt service requirements for the 2011 Tax Allocation Bonds at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ 516,200	\$ 516,200
2016	-	516,200	516,200
2017	-	516,200	516,200
2018	-	516,200	516,200
2019	-	516,200	516,200
2020-2024	-	2,581,000	2,581,000
2025-2029	-	2,581,000	2,581,000
2030-2034	7,120,000	1,753,775	8,873,775
Total	\$ 7,120,000	\$ 9,496,775	\$ 16,616,775

2011 Tax Allocation Bonds – School District

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

The issue consists of serial bonds in the amount \$1,815,000 payable annually on August 1 of each year, commencing on August 1, 2011 and maturing in 2034 with interest rates ranging from 6.40% to 6.60% per annum. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off. The outstanding balance of the bonds in the amount of \$1,815,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2014, the outstanding balance of the bonds was \$1,815,000. Total principal and interest remaining on the bond is \$3,739,280 payable through 2033.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-term Obligations (Continued)

C. Fiduciary Funds Long-Term Debt (Continued)

2011 Tax Allocation Bonds – School District (Continued)

The annual debt service requirements for the 2011 Tax Allocation Bonds – School District at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ 119,060	\$ 119,060
2016	-	119,060	119,060
2017	-	119,060	119,060
2018	5,000	118,900	123,900
2019	-	118,740	118,740
2020-2024	5,000	593,220	598,220
2025-2029	490,000	531,805	1,021,805
2030-2034	1,315,000	204,435	1,519,435
Total	\$ 1,815,000	\$ 1,924,280	\$ 3,739,280

Pledged Revenues

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

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

Property tax revenue allocated to the RPTTF for the Successor Agency totaled \$2,654,197 plus an ERAF payment reimbursement in the amount of \$1,073,670 for a total of \$3,727,867 in fiscal year 2014. Total debt service of all Tax Allocation Bonds paid was \$3,168,005, 85% of the RPTTF revenue available for distribution to the Successor Agency.

D. Conduit Debt

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

On September 1, 2005, the City issued special assessment tax bonds under the State Improvement Acts of 1911 and 1915 through the Community Facilities District No. 2005-1 of the City of Calexico (“District”), which was established by the City pursuant to a bond indenture dated July 1, 2006. The bonds are being issued to finance certain public facilities and capital impact fees relating to a residential development within the District, fund an escrow account, fund a reserve account for the bonds, fund 18 months of capitalized interest on the bonds, and pay the cost of issuance of the bonds. These bonds are payable only from special assessment collections from the property owners. The City is not liable for repayment in any manner. The City is only acting as an agent for the property owners and bondholders in collecting and applying the special assessments toward bond debt service. The bonds are, therefore, not reported as a liability in the accompanying basic financial statements. The special assessment tax bonds totaling \$12,780,000 at June 30, 2014 were held by the District.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-term Obligations (Continued)

D. Conduit Debt (Continued)

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

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

Note 7 – Risk Management

A. California Joint Powers Insurance Authority

The City is a member of the California Joint Powers Insurance Authority (Authority) and obtains its insurance from the Authority. The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

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

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

General Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 7 – Risk Management (Continued)

A. California Joint Powers Insurance Authority (Continued)

General Liability (Continued)

The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Authority. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. The \$3.0 million annual aggregate deductible is fully retained by the Authority. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

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

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

Workers' Compensation

The City also participates in the workers' compensation pool administered by the Authority. In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

Pollution Legal Liability Insurance

The City of Calexico participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Calexico. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

The City of Calexico participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Calexico property is currently insured according to a schedule of covered property submitted by the City of Calexico to the Authority. City of Calexico property currently has all-risk property insurance protection in the amount of \$36,632,571. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 7 – Risk Management (Continued)

A. California Joint Powers Insurance Authority (Continued)

Earthquake and Flood Insurance

The City of Calexico purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Calexico property currently has earthquake protection in the amount of \$20,595,581. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

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

Special Event Tenant User Liability Insurance

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

B. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2013-14.

Note 8 – Retirement Benefits

A. California Public Employees' Retirement Plan (PERS)

Plan Description

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy

The City pays both the employee and employer contributions for active members. Active members are required by State statute to contribute 8% if a Miscellaneous member, and 9% if a Safety member, of their annual covered salary. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The City's employer required contribution rate was 6.073% for Miscellaneous employees and 28.535% for Safety employees for the current fiscal year. Benefit provisions and all other requirements are established by State statute and City contract with employee bargaining units.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Retirement Benefits (Continued)

A. California Public Employees’ Retirement Plan (PERS) (Continued)

Annual Pension Cost

For the year ended June 30, 2014, the City’s annual pension cost of \$1,641,447 for PERS was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.55% to 14.45% for miscellaneous employees and safety employees depending on age, service, and type of employment, and (c) 3 % per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. PERS has combined the prior service unfunded liability and current service unfunded liability into a single initial unfunded liability. The amortization period at June 30, 2011, was 30 years for miscellaneous employees and 15 years for safety employees for the prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 1,563,630	100%	\$ -
6/30/2013	1,543,313	100%	-
6/30/2014	1,641,447	100%	-

Schedule of Funding Progress

As of the actuarial valuation date of June 30, 2014, the City’s miscellaneous and safety plan were part of the CalPERS risk pool with employers having less than 100 active plan members. As a result, information relating to the City is not available.

B. Deferred Compensation Plan

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

Federal legislation, (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The City’s deferred compensation administrator qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no longer considered the property and rights of the City, such assets are no longer reflected in the accompanying basic financial statements.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 9 – Other Postemployment Benefits

Plan Description

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

Funding Policy

Currently, the City accounts for retiree health benefits on a pay-as-you-go basis. The pay-as-you-go or employer payment amount for the 2014 fiscal year was \$377,492.

As of the valuation date, the City does not have any funds eligible as plan assets. Assets cannot be considered as employer contributions or plan assets unless they are segregated for exclusive use for retiree health benefit payments and are secured from creditors of the City. The unfunded actuarial accrued liability at July 1, 2012 was \$23,798,907.

Annual OPEB Cost

For the year ended June 30, 2014, the City's Annual Required Contribution is \$2,370,740. 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, 2012. The net OPEB obligation at the end of the fiscal year will reflect any actual retiree health contributions and any GASB eligible pre-funding amounts made during the period.

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

	Beginning Balance Net OPEB Obligation	Annual Required Contributions	Actual Contributions	Amortization of Net OPEB Obligation	Accrued Interest	Ending Balance Net OPEB Obligation
2011-2012	\$ 4,409,801	\$ 1,744,208	\$ (295,675)	\$ (146,993)	\$ 220,490	\$ 4,409,801
2012-2013	5,931,831	2,336,821	(565,152)	(371,139)	237,273	7,569,634
2013-2014	7,569,634	2,370,740	(377,492)	(473,612)	302,785	9,392,055

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
7/1/2012	\$ -	\$ 23,798,907	\$ 23,798,907	0.00%	\$ 11,252,680	211.50%

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 9 – Other Postemployment Benefits (Continued)

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, 2012. In that valuation, the Projected Unit Credit (PUC) with service prorate cost method was used. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability, or death. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), assuming the City continues on a pay-as-you-go basis, and an annual CalPERS minimum required contribution increase trend rate of 5% initially. Both assumptions reflect an implicit 2.8% percent general inflation assumption. The City's unfunded actuarial accrued liability is being amortized over an initial 30 years using a level-dollar basis. The remaining amortization period as of July 1, 2012 is assumed to be 26 years.

Note 10 – 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.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 10 – Property Taxes (Continued)

Tax levy apportionments – Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County Auditor-Controller based primarily on the ratio that each agency represented by the total City-wide levy compared to the total County for the three years prior to fiscal year 1979.

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

Note 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.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 11 – Joint Powers Agreement – Calexico Special Financing Authority (Continued)

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.

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 are covered through the California Joint Powers Insurance Authority.

On September 24, 1992, the City entered into a development agreement with Wal-Mart Stores, Inc. (Wal-Mart). Wal-Mart paid all direct and indirect costs of the public improvements. The total cost of these improvements was \$2,515,714. In accordance with the agreement, the City will reimburse Wal-Mart for the construction of the improvements. At June 30, 2014, the outstanding liability was \$1,466,722. However, the City is currently in litigation with Wal-Mart and has frozen all payments to Wal-Mart. Please see Note 6A for further information.

B. *Grants*

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors and their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

C. *Construction*

Various construction projects were in progress at June 30, 2014 with an estimated cost to complete of approximately \$5,838,264 planned for in all fund types.

D. *Federal Bureau of Investigation – Investigation of Calexico Police Department*

The Calexico Police Department is currently involved in an ongoing investigation by the Federal Bureau of Investigation (“FBI”). The presently known effects of this investigation have been properly recorded in the financial statements. The likelihood of further financial effects of the investigation is unable to be determined and/or estimated at this time and therefore, no additional liabilities have been recorded at June 30, 2014.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 13 – 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, 2014, the City identified the following site that met one of the above obligating events:

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 in order to increase the Agency's supply of low and moderate income housing. The property has been exposed to gun powder from the firing range. The City hired a consultant to determine whether a site clean-up was necessary. The report was completed February 11, 2011 and the results are conclusive. The soil should be removed and disposed of offsite.

The City purchases pollution and remediation legal liability insurance to cover pollution legal liability, remediation legal liability, legal defense expense and contingent transportation coverage from Southern California Joint Powers Insurance Authority. The City has forwarded the environmental site assessment report to the Southern California Joint Powers Insurance Authority for review and assessment. At June 30, 2014, the City had not recorded a pollution remediation obligation because the amount of the City's liability could not be estimated at the date of the report. Management expects any liability amounts to be recovered by the insurance.

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 cover for catastrophic and high dollar claims such as transplants, leukemia, renal failure and premature births.

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

City of Calexico
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 15 – Other Required Disclosures

A. Deficit Fund Balances/Net Position

At June 30, 2014, the following funds had a fund balances (deficit) or unrestricted 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
Traffic Safety	Special Revenue Fund	\$ (12,298)
Operation Stonegarden	Special Revenue Fund	(106,362)
Housing Fund	Special Revenue Fund	(239,949)
New River	Special Revenue Fund	(100,479)
Parks Grant	Special Revenue Fund	(11,520)
Consair LLC	Capital Projects	(267,812)
Mega Park	Capital Projects	(4,402)
Governmental Activities	Government-Wide	(11,039,109)

B. Excess Expenditures over Appropriations

For the year ended June 30, 2014, expenditures over appropriations in the following funds:

Fund	Appropriations	Expenditures	Excess
General Fund	\$ 16,012,216	\$ 18,944,691	\$ 2,932,475
LTA Measure D Special Revenue Fund	32,410	480,384	447,974

For the year ended June 30, 2014, public safety has exceeded their appropriation by \$1,556,559. See Note 12D for further details of the current investigation by Federal Bureau of Investigation.

City of Calexico
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 16 – Fund Balance Classification

The City’s fund balances at June 30, 2014 are tabulated below by fund types:

	Major Funds					Total
	General Fund	LTA Measure D Special Revenue Fund	City Debt Service Fund	LTA Measure D Capital Project Fund	Other Governmental Fund	
Non-spendable	\$ 23,161	\$ -	\$ -	\$ -	\$ 5,759	\$ 28,920
Total non-spendable	23,161	-	-	-	5,759	28,920
Restricted:						
Measure H	275,198	-	-	-	-	275,198
Debt Service Payments	-	-	24,258,813	-	-	24,258,813
Public Safety	-	-	-	-	152,567	152,567
Asset Seizure	-	-	-	-	18,576	18,576
Grants	-	-	-	-	1,979,914	1,979,914
Housing	-	-	-	-	6,310,212	6,310,212
Solid Waste Management	-	-	-	-	797,218	797,218
Parks and Recreation	-	-	-	-	256,737	256,737
Streets	-	5,272,554	-	-	3,068,898	8,341,452
Library	-	-	-	-	81,084	81,084
Parking Lot Acquisition	-	-	-	-	406,305	406,305
Capital Projects	-	-	-	-	1,663,953	1,663,953
Total restricted	275,198	5,272,554	24,258,813	-	14,735,464	44,542,029
Unassigned	3,595,362	1,729,538	-	-	-	5,324,900
Total unassigned	3,595,362	1,729,538	-	-	(742,822)	4,582,078
Total fund balances	\$ 3,893,721	\$ 7,002,092	\$ 24,258,813	\$ -	\$ 13,998,401	\$ 49,153,027

City of Calexico
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 17 – Prior Period Adjustments

The City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during fiscal year 2014. Bond issuance costs are now recognized as an expense in the year they were incurred. Prior to the implementation, these items were deferred and amortized over the life of the existing debt. The City has reclassified the deferred amount on refunding previously reported as assets and liabilities as outflows of resources. The balance of Bond Issuance Costs, net in fiscal year 2013 as reported, was \$2,114,173. The City also recorded a prior period adjustment to correct entries recorded in the prior periods to revenue and expense account that offset cash. The cumulative effect of applying GASB No. 65 has resulted in a decrease to fiscal year 2013 net position as follows:

Government-Wide Financial Statements

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position at July 1, 2013	\$ 62,732,293	\$ 49,983,662
Deferred bond issuance costs expensed	(263,337)	(591,551)
Incorrect revenue/expense recording that offset cash	(1,053,949)	(307,196)
Net position at July 1, 2013, as restated	<u>\$ 61,415,007</u>	<u>\$ 49,084,915</u>

Governmental Fund Financial Statements

	<u>General Fund</u>
Net position at July 1, 2013	\$ 6,831,230
Incorrect revenue/expense recording that offset cash	(1,053,949)
Net position at July 1, 2013, as restated	<u>\$ 5,777,281</u>

Proprietary Fund Financial Statements

	<u>Water Fund</u>
Net position at July 1, 2013	\$ 28,694,601
Deferred bond issuance costs expensed	(591,551)
Incorrect revenue/expense recording that offset cash	(307,196)
Net position at July 1, 2013, as restated	<u>\$ 27,795,854</u>

Fiduciary Fund Financial Statements

	<u>Successor Agency the the Calexico Redevelopment Agency</u>
Net position at July 1, 2013	\$ (17,026,742)
Deferred bond issuance costs expensed	(1,259,285)
Net position at July 1, 2013, as restated	<u>\$ (18,286,027)</u>

City of Calexico
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 18 – Subsequent Events

GASB Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Management is evaluating the impact of the adoption of this Standard on the financial statements and believes that its impact, when adopted, may be substantial to the City. GASB Statement No. 68 will be implemented effective with the fiscal year 2014-2015 financial statements.

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, currently outstanding in the principal 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, currently outstanding in the principal amount of \$6,040,000.

REQUIRED SUPPLEMENTARY INFORMATION

City of Calexico
Required Supplementary Information
For the year ended June 30, 2014

Note 1 – Budgetary Information

The City Council has the responsibility for adoption of the City’s budget. Budgets are adopted for governmental funds. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during each fiscal year. The City Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the City are subject to annual review by the City Council; hence, they legally are one year contracts with an option to review for another fiscal year.

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

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

City of Calexico
Required Supplementary Information (Continued)
For the year ended June 30, 2014

Note 1 – Budgetary Information (Continued)

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

Budget Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 12,059,000	\$ 12,059,000	\$ 12,688,468	\$ 629,468
Licenses, permits and fees	596,000	596,000	978,869	382,869
Intergovernmental	1,890,320	1,890,320	1,128,317	(762,003)
Charges for services	892,000	892,000	1,469,589	577,589
Fines and forfeitures	215,000	215,000	264,319	49,319
Use of money and property	300,000	300,000	276,008	(23,992)
Other revenues	104,000	104,000	268,766	164,766
Total revenues	16,056,320	16,056,320	17,074,336	1,018,016
EXPENDITURES:				
Current:				
General government	2,334,076	2,334,076	2,438,255	(104,179)
Public safety	10,538,051	10,538,051	12,094,610	(1,556,559)
Public works	1,476,399	1,476,399	262,293	1,214,106
Culture and recreation	1,034,450	1,034,450	1,733,363	(698,913)
Community development	629,240	629,240	1,475,923	(846,683)
Capital outlay	-	-	567,235	(567,235)
Debt service:				
Principal	-	-	373,012	(373,012)
Total expenditures	16,012,216	16,012,216	18,944,691	(2,932,475)
REVENUES OVER (UNDER) EXPENDITURES	44,104	44,104	(1,870,355)	(1,914,459)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	3,650	3,650
Transfers out	-	-	(16,855)	(16,855)
Total other financing sources (uses)	-	-	(13,205)	(13,205)
Net change in fund balance	\$ 44,104	\$ 44,104	(1,883,560)	\$ (1,927,664)
FUND BALANCE:				
Beginning of year, as restated			5,777,281	
End of year			<u>\$ 3,893,721</u>	

City of Calexico
Required Supplementary Information (Continued)
For the year ended June 30, 2014

Note 1 – Budgetary Information (Continued)

Budget Comparison Schedule, LTA Measure D Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 2,209,606	\$ 2,209,606
Other revenues	4,000	4,000	316	(3,684)
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>2,209,922</u>	<u>2,205,922</u>
EXPENDITURES:				
Current:				
Public works	32,410	32,410	1,380	31,030
Capital outlay	-	-	479,004	(479,004)
Total expenditures	<u>32,410</u>	<u>32,410</u>	<u>480,384</u>	<u>(447,974)</u>
Net change in fund balance	<u>\$ (28,410)</u>	<u>\$ (28,410)</u>	1,729,538	<u>\$ 1,757,948</u>
FUND BALANCE:				
Beginning of year			<u>5,272,554</u>	
End of year			<u>\$ 7,002,092</u>	

City of Calexico
Required Supplementary Information (Continued)
For the year ended June 30, 2014

Note 2 – Schedule of Funding Progress

A. Defined Benefits Pension Plan

As of the actuarial valuation date of June 30, 2011, the City’s miscellaneous and safety plan were part of the CalPERS risk pool with employers having less than 100 active plan members. As a result, information related to the City is not available.

B. Other Postemployment Benefits Plan

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

OPEB information is not available in earlier years as the City adopted GASB Statement No. 45 in 2009.

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SUPPLEMENTARY INFORMATION

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**NON-MAJOR
GOVERNMENTAL FUNDS**

City of Calexico
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

	Special Revenue					
	Impact Fee Library	Impact Fee Parks & Rec	Parking Lot Acquisition	Library Grant	Gas Tax	Traffic Safety
ASSETS						
Cash and investments	\$ 94,872	\$ 376,298	\$ 250,422	\$ 179,745	\$ 1,239,378	\$ -
Receivables:						
Accounts	-	-	-	-	-	-
Taxes	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	\$ 94,872	\$ 376,298	\$ 250,422	\$ 179,745	\$ 1,239,378	\$ -
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 5,770	\$ 234,443	\$ -
Due to other funds	-	-	-	-	-	12,298
Deposits payable	-	-	-	-	-	-
Unearned revenue	-	-	-	18,092	-	-
Total liabilities	-	-	-	23,862	234,443	12,298
Fund Balances:						
Non-spendable	-	-	-	-	-	-
Restricted	94,872	376,298	250,422	155,883	1,004,935	-
Unassigned (deficit)	-	-	-	-	-	(12,298)
Total fund balances	94,872	376,298	250,422	155,883	1,004,935	(12,298)
Total liabilities and fund balances	\$ 94,872	\$ 376,298	\$ 250,422	\$ 179,745	\$ 1,239,378	\$ -

(Continued)

City of Calexico
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2014

	Special Revenue					
	LTF Article 3	TDA	Asset Seizure	LMI Successor	Art in Public Places	CDBG/ Cal Home/ Other Grants
ASSETS						
Cash and investments	\$ 278,815	\$ 45,077	\$ 37,261	\$ 3,501,290	\$ 52,946	\$ 1,262,303
Receivables:						
Accounts	27,205	11,784	21,047	-	-	1,688,986
Taxes	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 306,020</u>	<u>\$ 56,861</u>	<u>\$ 58,308</u>	<u>\$ 3,501,290</u>	<u>\$ 52,946</u>	<u>\$ 2,951,289</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 39,732	\$ -	\$ -	\$ 884
Due to other funds	-	4	-	-	-	1,080,481
Deposits payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>4</u>	<u>39,732</u>	<u>-</u>	<u>-</u>	<u>1,081,365</u>
Fund Balances:						
Non-spendable	-	-	-	-	-	-
Restricted	306,020	56,857	18,576	3,501,290	52,946	1,869,924
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances	<u>306,020</u>	<u>56,857</u>	<u>18,576</u>	<u>3,501,290</u>	<u>52,946</u>	<u>1,869,924</u>
Total liabilities and fund balances	<u>\$ 306,020</u>	<u>\$ 56,861</u>	<u>\$ 58,308</u>	<u>\$ 3,501,290</u>	<u>\$ 52,946</u>	<u>\$ 2,951,289</u>

(Continued)

City of Calexico
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2014

	Special Revenue					
	NW IND	Public	Operation	OES-	FEMA	HELP
	EDA PROJ	Safety Augmentation	Stonegarden	OHS Grant	EP&R	F.T.H.B
ASSETS						
Cash and investments	\$ 394,236	\$ 97,213	\$ -	\$ -	\$ 272,373	\$ 40,727
Receivables:						
Accounts	-	-	67,991	-	1,548,287	-
Taxes	-	31,323	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	\$ 394,236	\$ 128,536	\$ 67,991	\$ -	\$ 1,820,660	\$ 40,727
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 2,312	\$ -	\$ -	\$ 4,040
Due to other funds	-	-	172,041	-	-	-
Deposits payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	-	-	174,353	-	-	4,040
Fund Balances:						
Non-spendable	-	-	-	-	-	-
Restricted	394,236	128,536	-	-	1,820,660	36,687
Unassigned (deficit)	-	-	(106,362)	-	-	-
Total fund balances	394,236	128,536	(106,362)	-	1,820,660	36,687
Total liabilities and fund balances	\$ 394,236	\$ 128,536	\$ 67,991	\$ -	\$ 1,820,660	\$ 40,727

(Continued)

City of Calexico
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2014

	Special Revenue					
	HIDTA Grant	EMRG Comm PS	Housing Fund	HOME Fund	New River	SRRP Revolving Loan
ASSETS						
Cash and investments	\$ -	\$ 37,550	\$ -	\$ 256,706	\$ -	\$ 114,758
Receivables:						
Accounts	-	-	-	-	25,795	-
Taxes	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	532
Total assets	\$ -	\$ 37,550	\$ -	\$ 256,706	\$ 25,795	\$ 115,290
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 52,281	\$ 135	\$ -	\$ 340
Due to other funds	-	-	187,668	-	126,274	-
Deposits payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	-	-	239,949	135	126,274	340
Fund Balances:						
Non-spendable	-	-	-	-	-	532
Restricted	-	37,550	-	256,571	-	114,418
Unassigned (deficit)	-	-	(239,949)	-	(100,479)	-
Total fund balances	-	37,550	(239,949)	256,571	(100,479)	114,950
Total liabilities and fund balances	\$ -	\$ 37,550	\$ -	\$ 256,706	\$ 25,795	\$ 115,290

(Continued)

City of Calexico
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2014

	Special Revenue					
	Fire Grants	Safe Route to School	Cole Road	COPS Grant	Parks Grant	Solid Waste Management
ASSETS						
Cash and investments	\$ 7,260	\$ 24,031	\$ 1,506,995	\$ 68,758	\$ -	\$ 247,252
Receivables:						
Accounts	-	-	-	-	-	635,774
Taxes	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	\$ 7,260	\$ 24,031	\$ 1,506,995	\$ 68,758	\$ -	\$ 883,026
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 37	\$ -	\$ -	\$ -	\$ 115	\$ 219,376
Due to other funds	-	-	-	-	11,405	-
Deposits payable	1,036	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	1,073	-	-	-	11,520	219,376
Fund Balances:						
Non-spendable	-	-	-	-	-	-
Restricted	6,187	24,031	1,506,995	68,758	-	663,650
Unassigned (deficit)	-	-	-	-	(11,520)	-
Total fund balances	6,187	24,031	1,506,995	68,758	(11,520)	663,650
Total liabilities and fund balances	\$ 7,260	\$ 24,031	\$ 1,506,995	\$ 68,758	\$ -	\$ 883,026

(Continued)

City of Calexico
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2014

	Special Revenue	Capital Projects				
	Other Special Revenue	NW Area	Public Facilities	Traffic Facilities	Police Development	Fire Development
ASSETS						
Cash and investments	\$ -	\$ 121,036	\$ 154,992	\$ 1,544,970	\$ 131,738	\$ 34,170
Receivables:						
Accounts	-	-	-	-	-	-
Taxes	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	\$ -	\$ 121,036	\$ 154,992	\$ 1,544,970	\$ 131,738	\$ 34,170
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	(3,583)	-	-	-	-	-
Deposits payable	1,327	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	(2,256)	-	-	-	-	-
Fund Balances:						
Non-spendable	-	-	-	-	-	-
Restricted	2,256	121,036	154,992	1,544,970	131,738	34,170
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances	2,256	121,036	154,992	1,544,970	131,738	34,170
Total liabilities and fund balances	\$ -	\$ 121,036	\$ 154,992	\$ 1,544,970	\$ 131,738	\$ 34,170

(Continued)

City of Calexico
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2014

	Capital Projects		Other Governmental Funds
	Corsair LLC	Mega Park	
ASSETS			
Cash and investments	\$ -	\$ 6,513	\$ 12,379,685
Receivables:			
Accounts	17,244	-	4,044,113
Taxes	-	-	31,323
Prepaid items	5,227	-	5,759
Total assets	\$ 22,471	\$ 6,513	\$ 16,460,880
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 5,393	\$ 10,915	\$ 575,773
Due to other funds	91,498	-	1,678,086
Deposits payable	188,165	-	190,528
Unearned revenue	-	-	18,092
Total liabilities	285,056	10,915	2,462,479
Fund Balances:			
Non-spendable	5,227	-	5,759
Restricted	-	-	14,735,464
Unassigned (deficit)	(267,812)	(4,402)	(742,822)
Total fund balances	(262,585)	(4,402)	13,998,401
Total liabilities and fund balances	\$ 22,471	\$ 6,513	\$ 16,460,880

(Concluded)

City of Calexico
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue					
	Impact Fee Library	Impact Fee Parks & Rec	Parking Lot Acquisition	Library Grant	Gas Tax	Traffic Safety
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	1,200,075	-
Charges for services	-	-	-	-	-	-
Development fees	13,788	119,561	-	-	-	-
Fines and forfeitures	-	-	-	-	-	7,306
Use of money and property	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-
Total revenues	13,788	119,561	-	-	1,200,075	7,306
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	823,348	10,577
Culture and recreation	-	-	-	47,950	-	-
Community development	-	-	-	-	-	-
Capital outlay	-	-	-	-	209,466	-
Total expenditures	-	-	-	47,950	1,032,814	10,577
REVENUES OVER (UNDER) EXPENDITURES	13,788	119,561	-	(47,950)	167,261	(3,271)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	13,788	119,561	-	(47,950)	167,261	(3,271)
FUND BALANCES:						
Beginning of year	81,084	256,737	250,422	203,833	837,674	(9,027)
End of year	\$ 94,872	\$ 376,298	\$ 250,422	\$ 155,883	\$ 1,004,935	\$ (12,298)

(Continued)

City of Calexico
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
For the Year Ended June 30, 2014

	Special Revenue					CDBG/ Cal Home/ Other Grants
	LTF Article 3	TDA	Asset Seizure	LMI Successor	Art in Public Places	
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	27,205	11,785	-	-	-	1,436,556
Charges for services	-	-	-	-	-	-
Development fees	-	-	-	-	14	-
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	-	-	-	28,267	-	161,894
Other revenues	-	-	215,874	35	1,109	-
Total revenues	27,205	11,785	215,874	28,302	1,123	1,598,450
EXPENDITURES:						
Current:						
General government	-	-	-	107	-	719
Public safety	-	-	101,035	-	-	-
Public works	-	1,416	-	-	-	-
Culture and recreation	-	-	-	-	1,001	-
Community development	-	-	-	903	-	1,319,228
Capital outlay	-	-	109,710	-	-	-
Total expenditures	-	1,416	210,745	1,010	1,001	1,319,947
REVENUES OVER (UNDER) EXPENDITURES	27,205	10,369	5,129	27,292	122	278,503
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	136,004
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	136,004
Net change in fund balances	27,205	10,369	5,129	27,292	122	414,507
FUND BALANCES:						
Beginning of year	278,815	46,488	13,447	3,473,998	52,824	1,455,417
End of year	\$ 306,020	\$ 56,857	\$ 18,576	\$ 3,501,290	\$ 52,946	\$ 1,869,924

(Continued)

City of Calexico
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
For the Year Ended June 30, 2014

	Special Revenue					
	NW IND EDA PROJ	Public Safety Augmentation	Operation Stonegarden	OES- OHS Grant	FEMA EP&R	HELP F.T.H.B
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	150,734	166,846	-	-	-
Charges for services	-	-	-	-	-	-
Development fees	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	3,980
Other revenues	-	-	-	-	-	-
Total revenues	-	150,734	166,846	-	-	3,980
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	54,899	114,387	8,956	-	-
Public works	28	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	281,847
Capital outlay	36	-	13,813	-	-	-
Total expenditures	64	54,899	128,200	8,956	-	281,847
REVENUES OVER (UNDER) EXPENDITURES	(64)	95,835	38,646	(8,956)	-	(277,867)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	(64)	95,835	38,646	(8,956)	-	(277,867)
FUND BALANCES:						
Beginning of year	394,300	32,701	(145,008)	8,956	1,820,660	314,554
End of year	<u>\$ 394,236</u>	<u>\$ 128,536</u>	<u>\$ (106,362)</u>	<u>\$ -</u>	<u>\$ 1,820,660</u>	<u>\$ 36,687</u>

(Continued)

City of Calexico
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
For the Year Ended June 30, 2014

	Special Revenue					SRRP Revolving Loan
	HIDTA Grant	EMRG Comm PS	Housing Fund	HOME Fund	New River	
REVENUES:						
Taxes	\$ -	\$ 59,912	\$ -	\$ -	\$ -	\$ -
Intergovernmental	12,088	-	6,716	55,000	192,454	-
Charges for services	-	-	-	-	-	-
Development fees	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	-	-	-	164,836	-	40,377
Other revenues	-	-	-	-	-	-
Total revenues	12,088	59,912	6,716	219,836	192,454	40,377
EXPENDITURES:						
Current:						
General government	-	-	-	-	235,667	-
Public safety	12,527	120,116	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	459,624	164,924	-	219,322
Capital outlay	-	-	-	-	-	2,496
Total expenditures	12,527	120,116	459,624	164,924	235,667	221,818
REVENUES OVER (UNDER) EXPENDITURES	(439)	(60,204)	(452,908)	54,912	(43,213)	(181,441)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	300,000	-	-	-
Transfers out	-	-	(136,004)	-	-	(300,000)
Total other financing sources (uses)	-	-	163,996	-	-	(300,000)
Net change in fund balances	(439)	(60,204)	(288,912)	54,912	(43,213)	(481,441)
FUND BALANCES:						
Beginning of year	439	97,754	48,963	201,659	(57,266)	596,391
End of year	\$ -	\$ 37,550	\$ (239,949)	\$ 256,571	\$ (100,479)	\$ 114,950

(Continued)

City of Calexico
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
For the Year Ended June 30, 2014

	Special Revenue					
	Fire Grants	Safe Route to School	Cole Road	COPS Grant	Parks Grant	Solid Waste Management
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	322,097	-	-	89,034	75,291	-
Charges for services	-	-	-	-	-	1,819,300
Development fees	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-
Other revenues	-	-	-	-	-	10,871
Total revenues	322,097	-	-	89,034	75,291	1,830,171
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	315,910	-	-	-	-	-
Public works	-	-	-	-	2,724	1,782,295
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Capital outlay	-	-	-	-	76,288	-
Total expenditures	315,910	-	-	-	79,012	1,782,295
REVENUES OVER (UNDER) EXPENDITURES	6,187	-	-	89,034	(3,721)	47,876
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	6,187	-	-	89,034	(3,721)	47,876
FUND BALANCES:						
Beginning of year	-	24,031	1,506,995	(20,276)	(7,799)	615,774
End of year	\$ 6,187	\$ 24,031	\$ 1,506,995	\$ 68,758	\$ (11,520)	\$ 663,650

(Continued)

City of Calexico
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
For the Year Ended June 30, 2014

	Special Revenue		Capital Projects			
	Other Special Revenue	NW Area	Public Facilities	Traffic Facilities	Police Development	Fire Development
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,128	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Development fees	-	-	186,228	135,547	82,761	86,142
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-
Total revenues	2,128	-	186,228	135,547	82,761	86,142
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	193	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Capital outlay	-	-	121,512	-	-	-
Total expenditures	193	-	121,512	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	1,935	-	64,716	135,547	82,761	86,142
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	1,935	-	64,716	135,547	82,761	86,142
FUND BALANCES:						
Beginning of year	321	121,036	90,276	1,409,423	48,977	(51,972)
End of year	\$ 2,256	\$ 121,036	\$ 154,992	\$ 1,544,970	\$ 131,738	\$ 34,170

(Continued)

City of Calexico
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
For the Year Ended June 30, 2014

	Capital Projects		Other Governmental Funds
	Corsair LLC	Mega Park	
REVENUES:			
Taxes	\$ -	\$ -	\$ 59,912
Intergovernmental	-	-	3,748,009
Charges for services	-	-	1,819,300
Development fees	-	-	624,041
Fines and forfeitures	-	-	7,306
Use of money and property	-	-	399,354
Other revenues	-	-	227,889
Total revenues	-	-	6,885,811
EXPENDITURES:			
Current:			
General government	-	-	236,493
Public safety	-	-	727,830
Public works	155,769	17,550	2,793,900
Culture and recreation	-	-	48,951
Community development	5,949	-	2,451,797
Capital outlay	-	-	533,321
Total expenditures	161,718	17,550	6,792,292
REVENUES OVER (UNDER) EXPENDITURES	(161,718)	(17,550)	93,519
OTHER FINANCING SOURCES (USES):			
Transfers in	-	16,855	452,859
Transfers out	-	(3,650)	(439,654)
Total other financing sources (uses)	-	13,205	13,205
Net change in fund balances	(161,718)	(4,345)	106,724
FUND BALANCES:			
Beginning of year	(100,867)	(57)	13,891,677
End of year	\$ (262,585)	\$ (4,402)	\$ 13,998,401

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**NON-MAJOR
ENTERPRISE FUNDS**

City of Calexico
Combining Statement of Net Position
Non-Major Enterprise Funds
June 30, 2014

	Airport	Transit	Total
ASSETS			
Current assets:			
Cash and investments	\$ 145,062	\$ -	\$ 145,062
Accounts receivable, net	37,945	344,533	382,478
Inventories and prepaid items	50,266	-	50,266
Total current assets	233,273	344,533	577,806
Capital assets:			
Non-depreciable	292,766	-	292,766
Depreciable, net	874,626	-	874,626
Total capital assets	1,167,392	-	1,167,392
Total assets	1,400,665	344,533	1,745,198
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	62,474	33,574	96,048
Due to other funds	-	207,445	207,445
Total current liabilities	62,474	241,019	303,493
Total liabilities	62,474	241,019	303,493
NET POSITION			
Invested in capital assets	1,167,392	-	1,167,392
Unrestricted	170,799	103,514	274,313
Total net position	\$ 1,338,191	\$ 103,514	\$ 1,441,705

City of Calexico
Combining Statement of Revenues, Expenses and Changes in Net Position
Non-Major Enterprise Funds
For the Year Ended June 30, 2014

	<u>Airport</u>	<u>Transit</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services	\$ 414,798	\$ -	\$ 414,798
Total operating revenues	<u>414,798</u>	<u>-</u>	<u>414,798</u>
OPERATING EXPENSES:			
Salaries and benefits	7,146	-	7,146
Material, supplies, and operational expenses	458,988	313,144	772,132
Depreciation	66,444	-	66,444
Total operating expenses	<u>532,578</u>	<u>313,144</u>	<u>845,722</u>
OPERATING (LOSS)	<u>(117,780)</u>	<u>(313,144)</u>	<u>(430,924)</u>
NONOPERATING REVENUES:			
Intergovernmental	131,902	414,667	546,569
Total nonoperating revenues	<u>131,902</u>	<u>414,667</u>	<u>546,569</u>
Changes in net position	14,122	101,523	115,645
NET POSITION:			
Beginning of year	1,324,069	1,991	1,326,060
End of year	<u>\$ 1,338,191</u>	<u>\$ 103,514</u>	<u>\$ 1,441,705</u>

City of Calexico
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Year Ended June 30, 2014

	Airport	Transit	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ 370,731	\$ 2,520	\$ 373,251
Cash payments to suppliers for goods and services	(432,872)	(307,539)	(740,411)
Other	(10,000)	(109,648)	(119,648)
Net cash (used in) operating activities	(72,141)	(414,667)	(486,808)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Intergovernmental revenue	131,902	414,667	546,569
Net cash provided by non-capital financing activities	131,902	414,667	546,569
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(154,993)	-	(154,993)
Net cash (used in) capital and related financing activities	(154,993)	-	(154,993)
Net change in cash and cash equivalents	(95,232)	-	(95,232)
CASH AND CASH EQUIVALENTS:			
Beginning of year	240,294	-	240,294
End of year	<u>\$ 145,062</u>	<u>\$ -</u>	<u>\$ 145,062</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating (loss)	\$ (117,780)	\$ (313,144)	\$ (430,924)
Depreciation	66,444	-	66,444
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:			
Changes in operating assets and liabilities:			
Accounts receivable	(36,921)	2,520	(34,401)
Inventories and prepaid items	(3,310)	-	(3,310)
Accounts payable and accrued liabilities	29,426	5,605	35,031
Deferred revenue	(10,000)	(84,935)	(94,935)
Due to other funds	-	(24,713)	(24,713)
Total adjustments	<u>45,639</u>	<u>(101,523)</u>	<u>(55,884)</u>
Net cash (used in) operating activities	<u>\$ (72,141)</u>	<u>\$ (414,667)</u>	<u>\$ (486,808)</u>

FIDUCIARY FUNDS

City of Calexico
Combining Statement of Fiduciary Net Position
All Agency Funds
June 30, 2014

	Gran Plaza CFD	East Area Facilities	BVEV CFD	Towncenter CFD	RDIP AD 90-1
ASSETS					
Cash and investments	\$ -	\$ 886,479	\$ 564,728	\$ 11,099	\$ 46,308
Cash and investments with fiscal agents	3,579,599	-	-	-	-
Accounts receivable	-	-	-	-	-
Total assets	\$ 3,579,599	\$ 886,479	\$ 564,728	\$ 11,099	\$ 46,308
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 1,319	\$ -	\$ -
Due to bondholders	3,579,599	886,479	563,409	11,099	46,308
Total liabilities	\$ 3,579,599	\$ 886,479	\$ 564,728	\$ 11,099	\$ 46,308

(Continued)

City of Calexico
Combining Statement of Fiduciary Net Position
All Agency Funds (Continued)
June 30, 2014

	C.C.E.Z.	Hearthstone CFD	Venezia CFD	Business Improvement District	Total Agency Funds
ASSETS					
Cash and investments	\$ 33,639	\$ 957,108	\$ 23,699	\$ 37,459	\$ 2,560,519
Cash and investments with fiscal agents	-	1,936,237	-	-	5,515,836
Accounts receivable	-	15,470	-	-	15,470
Total assets	\$ 33,639	\$ 2,908,815	\$ 23,699	\$ 37,459	\$ 8,091,825
LIABILITIES					
Accounts payable	-	1,941,212	-	460	1,942,991
Due to bondholders	33,639	967,603	23,699	36,999	6,148,834
Total liabilities	\$ 33,639	\$ 2,908,815	\$ 23,699	\$ 37,459	\$ 8,091,825

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