

# **City of Calexico**

Calexico, California

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

*For the Year Ended June 30, 2016*





**City of Calexico**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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**City of Calexico**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calexico, California (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund balance of the City, as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

### *Improper Stewardship of Funds*

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

### *Going Concern*

The accompanying financial statements have been prepared assuming the City will continue as a going concern. As discussed in Note 18 to the basic financial statements, the General Fund of the City has suffered significant reductions in fund balances from operations and is experiencing cash shortfalls. The City had net decreases of its net position in the amount of \$(3,469,319) of its governmental activities and the General Fund has suffered significant reductions in fund balances by \$(3,927,206) from operations. As of June 30, 2016, the General Fund has a negative fund balance and cash overdrawn of \$(4,042,178) and \$(1,639,906), respectively. These conditions raise concerns about the financial condition of the City's General Fund and impact on future operations of the City. Management's plans regarding those matters are also described in Note 18. The basic financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified with respect to that matter.

### *Change in CalPERS Discount Rate*

As discussed in Note 19B, on December 21, 2016, the CalPERS Board of Administration approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent to 7.00 percent over the next three years. Lowering the discount rate means plans will see increases in normal costs and the accrued liabilities, which will result in higher required contributions. The actual impact cannot be determined at this time, but is expected to be significant. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of the City's Proportionate Share of Net Pension Liability and Related Ratios, Schedule of Contributions and Schedule of Funding Progress of the Other Postemployment Benefit Plan, on pages 101 through 108 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

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

The Combining and Individual Nonmajor Fund Financial Statements on pages 112 through 125 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2017, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.



San Diego, California  
May 2, 2017

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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, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 19,668,173	\$ 23,922,607	\$ 43,590,780
Receivables:			
Accounts	926,842	2,654,416	3,581,258
Intergovernmental	3,690,664	41,366	3,732,030
Internal balances	(3,500,000)	3,500,000	-
Inventories and prepaid items	-	18,218	18,218
Deposits	175,000	-	175,000
<b>Total current assets</b>	<b>20,960,679</b>	<b>30,136,607</b>	<b>50,922,286</b>
<b>Noncurrent assets:</b>			
Cash and investments with fiscal agents	16,191,126	988,627	17,179,753
Capital assets:			
Non-depreciable assets	9,192,112	2,409,306	11,601,418
Depreciable assets, net	46,572,514	48,551,839	95,124,353
Total capital assets	55,764,626	50,961,145	106,725,771
<b>Total noncurrent assets</b>	<b>71,955,752</b>	<b>51,949,772</b>	<b>123,905,524</b>
<b>Total assets</b>	<b>92,916,431</b>	<b>82,086,379</b>	<b>174,827,810</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension-related deferred outflows of resources	1,878,075	133,551	2,011,626
<b>Total deferred outflows of resources</b>	<b>1,878,075</b>	<b>133,551</b>	<b>2,011,626</b>

**City of Calexico**  
**Statement of Net Position (Continued)**  
**June 30, 2016**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 1,713,938	\$ 313,326	\$ 2,027,264
Accrued payroll	367,720	76,642	444,362
Interest payable	175,021	130,373	305,394
Compensated absences - due within one year	184,066	18,144	202,210
Claims payable - due within one year	1,015,353	-	1,015,353
Long-term debt - due within one year	1,359,477	570,268	1,929,745
<b>Total current liabilities</b>	<b>4,815,575</b>	<b>1,108,753</b>	<b>5,924,328</b>
<b>Noncurrent liabilities:</b>			
Deposits payable	138,599	284,409	423,008
Compensated absences - due in more than one year	1,114,920	260,804	1,375,724
Net OPEB obligation	13,344,526	-	13,344,526
Aggregate net pension liability	15,537,935	2,268,122	17,806,057
Claims payable - due in more than one year	1,846,941	-	1,846,941
Long-term debt - due in more than one year	24,447,652	12,875,000	37,322,652
<b>Total noncurrent liabilities</b>	<b>56,430,573</b>	<b>15,688,335</b>	<b>72,118,908</b>
<b>Total liabilities</b>	<b>61,246,148</b>	<b>16,797,088</b>	<b>78,043,236</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension-related deferred inflows of resources	2,084,093	330,722	2,414,815
<b>Total deferred inflows of resources</b>	<b>2,084,093</b>	<b>330,722</b>	<b>2,414,815</b>
<b>NET POSITION (Defici</b>			
Net investment in capital assets	29,957,497	35,247,755	65,205,252
Restricted for:			
Special projects	14,553,691	-	14,553,691
Debt service	2,931,991	988,627	3,920,618
Capital projects	22,450,129	3,285,954	25,736,083
Total restricted	39,935,811	4,274,581	44,210,392
Unrestricted (deficit)	(38,429,043)	25,569,784	(12,859,259)
<b>Total net position</b>	<b>\$ 31,464,265</b>	<b>\$ 65,092,120</b>	<b>\$ 96,556,385</b>

**City of Calexico**  
**Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2016**

<b>Functions/Programs</b>	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 3,532,721	\$ 169,512	\$ 87,516	\$ 1,356	\$ 258,384
Public safety	12,918,340	1,544,027	627,474	4,141	2,175,642
Public works	4,224,655	1,832,104	920,963	7,521,043	10,274,110
Culture and recreation	4,645,203	83,958	120,243	12,505	216,706
Community development	1,011,283	863,686	-	-	863,686
Housing	1,428,508	-	889,111	-	889,111
Depreciation (unallocated)	3,485,848	-	-	-	-
Interest and fiscal charges	1,011,305	-	-	-	-
Total governmental activities	32,257,863	4,493,287	2,645,307	7,539,045	14,677,639
<b>Business-type activities:</b>					
Water	4,708,410	6,466,343	-	55,370	6,521,713
Wastewater	3,409,893	5,422,122	-	27,119	5,449,241
Airport	428,115	231,809	-	1,301,522	1,533,331
Transit	17,585	-	-	-	-
Total business-type activities	8,564,003	12,120,274	-	1,384,011	13,504,285
<b>Total primary government</b>	<b>\$ 40,821,866</b>	<b>\$ 16,613,561</b>	<b>\$ 2,645,307</b>	<b>\$ 8,923,056</b>	<b>\$ 28,181,924</b>

**City of Calexico**  
**Statement of Activities and Changes in Net Position (Continued)**  
**For the Year Ended June 30, 2016**

<b>Functions/Programs</b>	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ (3,274,337)	\$ -	\$ (3,274,337)
Public safety	(10,742,698)	-	(10,742,698)
Public works	6,049,455	-	6,049,455
Culture and recreation	(4,428,497)	-	(4,428,497)
Community development	(147,597)	-	(147,597)
Housing	(539,397)	-	(539,397)
Depreciation (unallocated)	(3,485,848)	-	(3,485,848)
Interest and fiscal charges	(1,011,305)	(591,118)	(1,602,423)
Total governmental activities	(17,580,224)	(591,118)	(18,171,342)
<b>Business-type activities:</b>			
Water	-	1,813,303	1,813,303
Wastewater	-	2,039,348	2,039,348
Airport	-	1,105,216	1,105,216
Transit	-	(17,585)	(17,585)
Total business-type activities	-	4,940,282	4,940,282
<b>Total primary government</b>	(17,580,224)	4,349,164	(13,231,060)
<b>General revenues:</b>			
Taxes:			
Property taxes	5,166,441	-	5,166,441
Sales taxes	7,050,137	-	7,050,137
Transit occupancy taxes	272,608	-	272,608
Franchise fees	756,975	-	756,975
Non-regulatory business license tax	480,892	-	480,892
Total taxes	13,727,053	-	13,727,053
Investment earnings	273,374	-	273,374
Miscellaneous	110,478	48,169	158,647
<b>Total general revenues</b>	14,110,905	48,169	14,159,074
<b>Changes in net position</b>	(3,469,319)	4,397,333	928,014
<b>Net position - beginning of year, as restated (Note 17)</b>	34,933,584	60,694,787	95,628,371
<b>Net position - end of year</b>	\$ 31,464,265	\$ 65,092,120	\$ 96,556,385



## **FUND FINANCIAL STATEMENTS**

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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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

**City of Calexico  
Balance Sheet  
Governmental Funds  
June 30, 2016**

	Major Funds		
	General Fund	LTA Measure D Special Revenue Fund	Measure D Capital Projects Fund
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 7,688,618	\$ -
Cash and investments with fiscal agents	-	-	6,068,966
Receivables:			
Accounts	189,240	22,603	-
Utilities	-	-	-
Intergovernmental	1,758,306	-	-
Notes	-	-	-
Due from other funds	-	677,516	-
Inventories	-	-	-
<b>Total assets</b>	<b>\$ 1,947,546</b>	<b>\$ 8,388,737</b>	<b>\$ 6,068,966</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Cash and investments overdrawn			
Accounts payable and accrued liabilities	\$ 365,823	\$ 19	\$ -
Accrued payroll	345,396	-	-
Due to other funds	1,639,906	-	317
Deposits payable	138,599	-	-
Advances from other funds	3,500,000	-	-
<b>Total liabilities</b>	<b>5,989,724</b>	<b>19</b>	<b>317</b>
<b>Fund Balances:</b>			
Restricted	-	8,388,718	6,068,649
Unassigned (deficit)	(4,042,178)	-	-
<b>Total fund balances</b>	<b>(4,042,178)</b>	<b>8,388,718</b>	<b>6,068,649</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,947,546</b>	<b>\$ 8,388,737</b>	<b>\$ 6,068,966</b>

**City of Calexico**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**June 30, 2016**

	<u>Major Funds</u>		
	<u>Measure H Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 11,859,329	\$ 19,547,947
Cash and investments with fiscal agents	7,190,169	2,931,991	16,191,126
Receivables:			
Accounts	-	711,253	923,096
Utilities	-	-	-
Intergovernmental	-	1,847,732	3,606,038
Notes	-	-	-
Due from other funds	-	3,672,388	4,349,904
Inventories	-	-	-
<b>Total assets</b>	<u>\$ 7,190,169</u>	<u>\$ 21,022,693</u>	<u>\$ 44,618,111</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ -	\$ 1,144,561	\$ 1,510,403
Accrued payroll	-	22,324	367,720
Due to other funds	49,056	2,660,625	4,349,904
Deposits payable	-	-	138,599
Advances from other funds	-	-	3,500,000
<b>Total liabilities</b>	<u>49,056</u>	<u>3,827,510</u>	<u>9,866,626</u>
<b>Fund Balances:</b>			
Restricted	7,141,113	18,337,331	39,935,811
Unassigned (deficit)	-	(1,142,148)	(5,184,326)
<b>Total fund balances</b>	<u>7,141,113</u>	<u>17,195,183</u>	<u>34,751,485</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,190,169</u>	<u>\$ 21,022,693</u>	<u>\$ 44,618,111</u>

**City of Calexico**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2016**

<b>Total Fund Balances - Total Governmental Funds</b>	<u>\$ 34,751,485</u>
Amounts reported for governmental activities in the Statement of Net Assets were different because:	
Capital assets used in governmental activities were not current financial resources and therefore were not reported in the governmental funds.	
Nondepreciable	9,192,112
Depreciable, net of accumulated depreciation	<u>46,572,514</u>
Total capital assets	<u>55,764,626</u>
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.	
Compensated absences	(1,298,986)
Claims payable - due within one year	(1,015,353)
Long-term liabilities - due within one year	(1,359,477)
Claims payable - due in more than one year	(1,846,941)
Long-term liabilities - due in more than one year	<u>(24,447,652)</u>
Total reported in Government-Wide Statement of Net Position	<u>(29,968,409)</u>
Less: Amount reported in Internal Service Funds	
Claims payable - due within one year	1,015,353
Claims payable - due in more than one year	<u>1,846,941</u>
Total reported in Internal Service Funds	<u>2,862,294</u>
Net long-term liabilities	<u>(27,106,115)</u>
Pension contributions made during the year after the measurement date are reported as expenditures in governmental funds and as deferred outflow of resources in the government-wide financial statements.	1,689,525
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.	(15,537,935)
Actuarially determined pension deferred outflows of resources are reported in the government-wide statements:	
Difference between employer contributions and proportionate share of contributions	170,811
Deferred change in pension plan proportion	17,739
Actuarially determined pension deferred inflows of resources are reported in the government-wide statements:	
Difference between expected and actual experience	(293,241)
Changes in actuarial assumptions	(1,178,593)
Difference between projected and actual earnings on pension plan investments are reported in the government-wide statements.	(612,259)
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.	(175,021)
Net OPEB liability was not due and payable in the current period and therefore was not reported in the governmental funds.	<u>(13,344,526)</u>
Internal service funds were used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds were included in governmental activities in the Government-Wide Statement of Net Position.	<u>(2,682,231)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 31,464,265</u></u>

**City of Calexico**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	Major Funds		
	General Fund	LTA Measure D Special Revenue Fund	Measure D Capital Projects Fund
<b>REVENUES:</b>			
Property taxes	\$ 2,396,963	\$ -	\$ -
Other taxes	7,849,265	-	-
Licenses and permits	1,139,397	-	-
Intergovernmental	3,139,651	1,205,654	-
Charges for services	1,388,149	-	-
Fines and forfeitures	319,300	-	-
Use of money and property	219,959	14,946	17,917
Other revenues	1,477	-	-
<b>Total revenues</b>	<b>16,454,161</b>	<b>1,220,600</b>	<b>17,917</b>
<b>EXPENDITURES:</b>			
Current:			
General government	3,099,602	-	-
Public safety	12,156,677	-	-
Public works	1,285,513	-	-
Culture and recreation	1,411,481	-	-
Community development	956,496	-	-
Housing	-	-	-
Capital outlay	140,033	416,093	1,232,581
Debt service:			
Principal	194,232	-	-
Interest and fiscal charges	10,630	-	-
Contribution to CUSD	-	-	-
<b>Total expenditures</b>	<b>19,254,664</b>	<b>416,093</b>	<b>1,232,581</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,800,503)</b>	<b>804,507</b>	<b>(1,214,664)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	158,694	-	-
Transfers out	(1,285,397)	-	-
<b>Total other financing sources (uses)</b>	<b>(1,126,703)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(3,927,206)</b>	<b>804,507</b>	<b>(1,214,664)</b>
<b>FUND BALANCES:</b>			
Beginning of year, as restated (Note 17)	(114,972)	7,584,211	7,283,313
End of year	\$ (4,042,178)	\$ 8,388,718	\$ 6,068,649

**City of Calexico**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	<u>Major Funds</u>		
	<u>Measure H Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Property taxes	\$ -	\$ -	\$ 2,396,963
Other taxes	-	82,267	7,931,532
Licenses and permits	-	-	1,139,397
Intergovernmental	-	7,781,332	12,126,637
Charges for services	-	2,135,896	3,524,045
Fines and forfeitures	-	-	319,300
Use of money and property	5,638	27,512	285,972
Other revenues	-	1,063,221	1,064,698
<b>Total revenues</b>	<u>5,638</u>	<u>11,090,228</u>	<u>28,788,544</u>
<b>EXPENDITURES:</b>			
Current:			
General government	-	188,196	3,287,798
Public safety	-	643,105	12,799,782
Public works	-	2,825,169	4,110,682
Culture and recreation	-	83,301	1,494,782
Community development	-	-	956,496
Housing	-	1,316,831	1,316,831
Capital outlay	-	2,141,732	3,930,439
Debt service:			
Principal	-	1,115,000	1,309,232
Interest and fiscal charges	-	1,007,100	1,017,730
Contribution to CUSD	3,000,000	-	3,000,000
<b>Total expenditures</b>	<u>3,000,000</u>	<u>9,320,434</u>	<u>33,223,772</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,994,362)</u>	<u>1,769,794</u>	<u>(4,435,228)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	2,077,553	2,236,247
Transfers out	-	(950,850)	(2,236,247)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>1,126,703</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(2,994,362)</u>	<u>2,896,497</u>	<u>(4,435,228)</u>
<b>FUND BALANCES:</b>			
Beginning of year, as restated (Note 17)	<u>10,135,475</u>	<u>14,298,686</u>	<u>39,186,713</u>
End of year	<u>\$ 7,141,113</u>	<u>\$ 17,195,183</u>	<u>\$ 34,751,485</u>



**City of Calexico**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2016**

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**Net Change in Fund Balances - Total Governmental Funds** \$ (4,435,228)

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. 3,930,439

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. (3,485,848)

Changes in net pension liability reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds (Note 9). (1,249,458)

The net effect of various miscellaneous transactions involving pension plans (i.e. deferred inflow/outflow amortization, contributions after measurement date) increased Net Position. 2,317,312

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. 1,287

Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.

Principal payment	1,115,000
Capital lease payment	194,232

Amortization expenses were reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, amortization expenses were not reported as expenditures in the Governmental Funds.

Bond premiums	69,215
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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. 6,425

Net OPEB liability was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the change in the OPEB liability was not reported as an expenditure in governmental funds (Note 10). (2,067,490)

Internal service funds were used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds was reported with governmental activities. 134,795

**Change in Net Position of Governmental Activities** \$ (3,469,319)

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# PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

**Transit Fund** – This fund is used to account for the operation and maintenance of the City's Dial-a-Ride Transit. On October 1, 2015, the City's Dial-a-Ride transit operations were merged with the operations of other Cities by the County of Imperial.

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**City of Calexico**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Major Funds		Non-Major Funds		Total	Internal Service Funds
	Water	Wastewater	Airport	Transit		
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and investments	\$ 11,584,067	\$ 12,261,959	\$ 58,996	\$ 17,585	\$ 23,922,607	\$ 120,226
Cash and investments with fiscal agents	988,627	-	-	-	988,627	-
Accounts receivable, net	2,190,204	464,212	-	-	2,654,416	3,746
Intergovernmental receivables	-	-	41,366	-	41,366	84,626
Due from other funds	-	-	-	-	-	157,932
Deposits	-	-	-	-	-	175,000
Inventories and prepaid items	-	-	18,218	-	18,218	-
<b>Total current assets</b>	<b>14,762,898</b>	<b>12,726,171</b>	<b>118,580</b>	<b>17,585</b>	<b>27,625,234</b>	<b>541,530</b>
<b>Noncurrent assets:</b>						
Advances to other funds	-	3,500,000	-	-	3,500,000	-
Capital assets:						
Non-depreciable	180,000	2,229,306	-	-	2,409,306	-
Depreciable, net	35,320,736	8,607,064	4,624,039	-	48,551,839	-
Total net capital assets	35,500,736	10,836,370	4,624,039	-	50,961,145	-
<b>Total noncurrent assets</b>	<b>35,500,736</b>	<b>14,336,370</b>	<b>4,624,039</b>	<b>-</b>	<b>54,461,145</b>	<b>-</b>
<b>Total assets</b>	<b>50,263,634</b>	<b>27,062,541</b>	<b>4,742,619</b>	<b>17,585</b>	<b>82,086,379</b>	<b>541,530</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension-related deferred outflows of resources	73,981	59,570	-	-	133,551	-
<b>Total deferred outflows of resources</b>	<b>73,981</b>	<b>59,570</b>	<b>-</b>	<b>-</b>	<b>133,551</b>	<b>-</b>
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable	193,130	96,502	6,109	17,585	313,326	203,535
Accrued payroll	44,586	32,056	-	-	76,642	-
Interest payable	122,296	8,077	-	-	130,373	-
Due to other funds	-	-	-	-	-	157,932
Compensated absences - due within one year	11,671	6,473	-	-	18,144	-
Claims payable - due within one year	-	-	-	-	-	1,015,353
Long-term debt - due within one year	400,000	170,268	-	-	570,268	-
<b>Total current liabilities</b>	<b>771,683</b>	<b>313,376</b>	<b>6,109</b>	<b>17,585</b>	<b>1,108,753</b>	<b>1,376,820</b>
<b>Noncurrent liabilities:</b>						
Deposits payable	283,719	-	690	-	284,409	-
Compensated absences - due in more than one year	167,760	93,044	-	-	260,804	-
Aggregate net pension liability	1,256,431	1,011,691	-	-	2,268,122	-
Claims payable - due in more than one year	-	-	-	-	-	1,846,941
Long term debt - due in more than one year	12,875,000	-	-	-	12,875,000	-
<b>Total noncurrent liabilities</b>	<b>14,582,910</b>	<b>1,104,735</b>	<b>690</b>	<b>-</b>	<b>15,688,335</b>	<b>1,846,941</b>
<b>Total liabilities</b>	<b>15,354,593</b>	<b>1,418,111</b>	<b>6,799</b>	<b>17,585</b>	<b>16,797,088</b>	<b>3,223,761</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension-related deferred inflows of resources	183,204	147,518	-	-	330,722	-
<b>Total deferred inflows of resources</b>	<b>183,204</b>	<b>147,518</b>	<b>-</b>	<b>-</b>	<b>330,722</b>	<b>-</b>
<b>NET POSITION</b>						
Net investment in capital assets	20,969,305	9,654,411	4,624,039	-	35,247,755	-
Restricted for:						
Debt service	988,627	-	-	-	988,627	-
Capital projects	2,844,764	441,190	-	-	3,285,954	-
Unrestricted	9,997,122	15,460,881	111,781	-	25,569,784	(2,682,231)
<b>Total net position</b>	<b>\$ 34,799,818</b>	<b>\$ 25,556,482</b>	<b>\$ 4,735,820</b>	<b>\$ -</b>	<b>\$ 65,092,120</b>	<b>\$ (2,682,231)</b>

**City of Calexico**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Major Funds		Non-Major Funds		Total	Internal Service Funds
	Water	Wastewater	Airport	Transit		
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 6,466,343	\$ 5,422,122	\$ 231,809	\$ -	\$ 12,120,274	\$ 7,137,993
Other revenue	55,370	27,119	48,169	-	130,658	-
<b>Total operating revenues</b>	<b>6,521,713</b>	<b>5,449,241</b>	<b>279,978</b>	<b>-</b>	<b>12,250,932</b>	<b>7,137,993</b>
<b>OPERATING EXPENSES:</b>						
Salaries and benefits	1,392,187	1,278,047	662	-	2,670,896	-
Material, supplies, and operational expenses	1,723,517	1,474,960	264,194	17,585	3,480,256	737,151
Insurance and administration	472,130	184,653	-	-	656,783	3,182,591
Claims	-	-	-	-	-	3,083,456
Depreciation	1,120,576	472,233	163,259	-	1,756,068	-
<b>Total operating expenses</b>	<b>4,708,410</b>	<b>3,409,893</b>	<b>428,115</b>	<b>17,585</b>	<b>8,564,003</b>	<b>7,003,198</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,813,303</b>	<b>2,039,348</b>	<b>(148,137)</b>	<b>(17,585)</b>	<b>3,686,929</b>	<b>134,795</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Intergovernmental	-	-	1,301,522	-	1,301,522	-
Interest expense	(591,118)	-	-	-	(591,118)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(591,118)</b>	<b>-</b>	<b>1,301,522</b>	<b>-</b>	<b>710,404</b>	<b>-</b>
<b>NET INCOME (Loss)</b>	<b>1,222,185</b>	<b>2,039,348</b>	<b>1,153,385</b>	<b>(17,585)</b>	<b>4,397,333</b>	<b>134,795</b>
<b>TRANSFERS:</b>						
Transfers in	-	-	-	-	-	185,300
Transfers out	-	-	-	-	-	(185,300)
<b>Total transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>1,222,185</b>	<b>2,039,348</b>	<b>1,153,385</b>	<b>(17,585)</b>	<b>4,397,333</b>	<b>134,795</b>
<b>NET POSITION:</b>						
Beginning of year, as restated (Note 17)	33,577,633	23,517,134	3,582,435	17,585	60,694,787	(2,817,026)
End of year	<u>\$ 34,799,818</u>	<u>\$ 25,556,482</u>	<u>\$ 4,735,820</u>	<u>\$ -</u>	<u>\$ 65,092,120</u>	<u>\$ (2,682,231)</u>

**City of Calexico**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Major Funds		Non-Major Funds		Total	Internal Service Funds
	Water	Wastewater	Airport	Transit		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from customers and users	\$ 7,759,577	\$ 5,445,632	\$ 280,668	\$ -	\$ 13,485,877	\$ 7,157,205
Cash payments to suppliers for goods and services	(2,278,117)	(1,964,832)	(1,183,261)	-	(5,426,210)	(861,730)
Cash payments to employees for services	(1,548,991)	(1,141,615)	(662)	-	(2,691,268)	(6,220,779)
<b>Net cash provided by operating activities</b>	<u>3,932,469</u>	<u>2,339,185</u>	<u>(903,255)</u>	<u>-</u>	<u>5,368,399</u>	<u>74,696</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Intergovernmental revenue	-	-	-	-	-	(84,626)
Short-term interfund borrowing (lending)	2,371,956	166,408	(2,371,956)	-	166,408	-
Advances made to other funds	-	(3,500,000)	-	-	(3,500,000)	-
Transfers in	-	-	-	-	-	185,300
Transfers out	-	-	-	-	-	(185,300)
<b>Net cash (used in) noncapital financing activities</b>	<u>2,371,956</u>	<u>(3,333,592)</u>	<u>(2,371,956)</u>	<u>-</u>	<u>(3,333,592)</u>	<u>(84,626)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition of capital assets	(2,926,181)	(263,933)	(315,590)	-	(3,505,704)	-
Intergovernmental capital grants	-	-	3,649,797	-	3,649,797	-
Principal paid on capital-related debt	(385,000)	(162,536)	-	-	(547,536)	-
Interest paid on capital-related debt	(594,045)	(3,779)	-	-	(597,824)	-
<b>Net cash (used in) capital and related financing activities</b>	<u>(3,905,226)</u>	<u>(430,248)</u>	<u>3,334,207</u>	<u>-</u>	<u>(1,001,267)</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	2,399,199	(1,424,655)	58,996	-	1,033,540	(9,930)
<b>CASH AND CASH EQUIVALENTS:</b>						
Beginning of year	<u>10,173,495</u>	<u>13,686,614</u>	<u>-</u>	<u>17,585</u>	<u>23,877,694</u>	<u>130,156</u>
End of year	<u>\$ 12,572,694</u>	<u>\$ 12,261,959</u>	<u>\$ 58,996</u>	<u>\$ 17,585</u>	<u>\$ 24,911,234</u>	<u>\$ 120,226</u>
<b>RECONCILIATION OF CASH AND INVESTMENTS TO STATEMENT OF NET POSITION:</b>						
Cash and investments	\$ 11,584,067	\$ 12,261,959	\$ 58,996	\$ 17,585	\$ 23,922,607	\$ 120,226
Cash and investments with fiscal agents	<u>988,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>988,627</u>	<u>-</u>
<b>Total cash and investments</b>	<u>\$ 12,572,694</u>	<u>\$ 12,261,959</u>	<u>\$ 58,996</u>	<u>\$ 17,585</u>	<u>\$ 24,911,234</u>	<u>\$ 120,226</u>

**City of Calexico**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Major Funds			Non-Major	Total	Internal Service Funds
	Water	Wastewater	Airport	Transit		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ 1,813,303	\$ 2,039,348	\$ (148,137)	\$ (17,585)	\$ 3,686,929	\$ 134,795
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	1,120,576	472,233	163,259	-	1,756,068	-
Changes in operating assets and liabilities:						
Accounts receivable	1,294,763	(3,609)	-	-	1,291,154	19,212
Deposits	-	-	-	-	-	(175,000)
Inventories and prepaid items	-	-	18,214	-	18,214	-
Pension-related deferred outflows	(1,874)	(13,577)	-	-	(15,451)	-
Accounts payable	(82,470)	(305,219)	(937,281)	17,585	(1,307,385)	50,421
Accrued payroll	18,694	17,121	-	-	35,815	-
Deposits payable	(56,899)	-	690	-	(56,209)	-
Compensated absences	3,876	5,150	-	-	9,026	-
Aggregate net pension liability	97,107	272,230	-	-	369,337	-
Claims payable	-	-	-	-	-	45,268
Actual earnings in excess of projected earnings						
Pension-related deferred inflows	(274,607)	(144,492)	-	-	(419,099)	-
Total adjustments	<u>2,119,166</u>	<u>299,837</u>	<u>(755,118)</u>	<u>17,585</u>	<u>1,681,470</u>	<u>(60,099)</u>
<b>Net cash provided by operating activities</b>	<u>\$ 3,932,469</u>	<u>\$ 2,339,185</u>	<u>\$ (903,255)</u>	<u>\$ -</u>	<u>\$ 5,368,399</u>	<u>\$ 74,696</u>



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# FIDUCIARY FUND FINANCIAL STATEMENTS

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**Agency Funds** – These funds are used to account for money and property held by the City as trustee or custodian. Such funds include Corsair 2013-1 Gran Plaza CFD, Bravo Victoria/Eastside Village Assessment CFD, Towncenter CFD, RDIP AD 90-1, C.C.E.Z., Hearthstone CFD, and Venezia CFD.

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

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**City of Calexico**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

	Agency Funds	Successor Agency to the Calexico Redevelopment Agency
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments	\$ 577,964	\$ 2,725,820
Cash and investments with fiscal agents	2,403,901	9,261,260
Accounts receivable	5,554	-
<b>Total current assets</b>	<b>2,987,419</b>	<b>11,987,080</b>
<b>Noncurrent assets:</b>		
Capital assets:		
Nondepreciable	-	1,399,232
Depreciable, net accumulated depreciation	-	2,650,606
<b>Total noncurrent assets</b>	<b>-</b>	<b>4,049,838</b>
<b>Total assets</b>	<b>\$ 2,987,419</b>	<b>16,036,918</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on refunding, net		992,693
<b>Total deferred outflows of resources</b>		<b>992,693</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 10,175	777,709
Due to bondholders	2,977,244	-
Interest payable	-	699,014
Long-term debt	-	34,716,516
<b>Total liabilities</b>	<b>\$ 2,987,419</b>	<b>36,193,239</b>
<b>NET POSITION (DEFICIT)</b>		
Held in trust for retirement of obligations of the former Community Redevelopment Agency of the City of Calexico		<b>\$ (19,163,628)</b>

**City of Calexico**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended June 30, 2016**

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	Successor Agency to the Calexico Redevelopment Agency
<b>ADDITIONS:</b>	
Property taxes - Redevelopment Property Tax Trust Fund (RPTTF)	\$ 2,274,294
Investment earnings	14,227
Other revenue	434,971
<b>Total additions</b>	<b>2,723,492</b>
<b>DEDUCTIONS:</b>	
Administration expenses	335,730
Depreciation	69,045
Interest expense and fiscal charges	1,727,585
Capital contributions to City	2,582,592
<b>Total deductions</b>	<b>4,714,952</b>
<b>Change in net position</b>	<b>(1,991,460)</b>
<b>NET POSITION:</b>	
Beginning of year	(17,172,168)
End of year	<b>\$ (19,163,628)</b>

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**City of Calexico**  
**Index of Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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**City of Calexico**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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

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

**A. Financial Reporting Entity**

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

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

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

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

**Blended Component Units**

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

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

***Calexico Housing Authority (the "Housing Authority")***

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

**Discretely Presented Component Units**

The City has no discretely presented component units.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

***B. Basis of Accounting and Measurement Focus***

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

**Government-Wide Financial Statements**

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

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

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

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

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

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

**Government Fund Financial Statements**

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

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

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

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

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The City reports the following major Governmental Funds:

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

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

**Government Fund Financial Statements (Continued)**

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

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

**Proprietary Fund Financial Statements**

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

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

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

The City reports the following major proprietary funds:

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

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

**Fiduciary Fund Financial Statements**

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

**Fiduciary Fund Financial Statements (Continued)**

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

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

**Successor Agency of the Redevelopment Agency for the City of Calexico**

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

***C. Deferred Outflows and Inflows of Resources***

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

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

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

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

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

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

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

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

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

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

***E. Restricted Cash and Investments***

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

***F. Fair Value Measurement***

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value, and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

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

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

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

***G. Interfund Transactions***

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

***H. Inventories and Prepaid items***

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

***I. Capital Assets***

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated 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.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**I. Capital Assets (Continued)**

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

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

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

**Capital Assets Acquired Under Lease Purchase Contracts**

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

**J. Pension Plans**

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

CalPERS:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015



**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**J. Pension Plans (Continued)**

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

**K. Compensated Absences**

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

A liability is recorded for unused sick leave and unpaid vacation balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination benefits, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. The amounts accrued for financial statement purposes represent 100 percent of the vacation pay liability at June 30, 2016. 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.

**L. Unearned Revenue**

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

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

**M. Long-Term Debt**

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**N. Net Position**

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

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

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

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

**O. Fund Balances**

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

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

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

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

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

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

***P. Spending Policy***

*Government-Wide Financial Statements and the Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

***Q. Property Taxes***

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

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

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

**Tax levy dates** – are attached annually on January 1 of the preceding fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property and are not relieved by subsequent renewal or change in ownership.

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

***Q. 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.

***R. Use of Accounting Estimates***

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

***S. Implementation of New GASB Pronouncements for the Year Ended June 30, 2016***

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2016. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

***GASB Statement No. 72***

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. This pronouncement provides guidance for determining fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Governments are required to use valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. Required disclosures include the level of fair value hierarchy and valuation techniques and should be organized by type of asset or liability. This pronouncement is effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the City.

***GASB Statement No. 73***

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for the City’s fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68. This statement did not have a significant impact on the City’s financial statements for the year ended June 30, 2016.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**S. Implementation of New GASB Pronouncements for the Year Ended June 30, 2016 (Continued)**

***GASB Statement No. 76***

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for the City's fiscal year ending June 30, 2016. This pronouncement did not have a material effect on the financial statements of the City.

***GASB Statement No. 79***

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes standards relating to accounting and financial reporting for certain investment pools and pool participants. This statement became effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2016.

**T. Upcoming Government Accounting Standards Implementation**

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

***GASB Statement No. 74***

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses reporting by postemployment benefits other than pensions (OPEB) plans that administer benefits on behalf of governments. This statement basically parallels GASB Statement 67 and replaces GASB Statement 43. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

***GASB Statement No. 75***

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

***GASB Statement No. 77***

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

***GASB Statement No. 78***

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

***GASB Statement No. 80***

In December 2015, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

***GASB Statement No. 81***

In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

***GASB Statement No. 82***

In December 2015, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). Application of this statement is effective for the City's fiscal year ending June 30, 2018.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

***GASB Statement No. 83***

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform certain future asset retirement activities related to its tangible capital assets should recognize a liability based on guidance in the Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. Application of this statement is effective for the City's fiscal year ending June 30, 2019.

***GASB Statement No. 84***

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. Application of this statement is effective for the City's fiscal year ending June 30, 2019.

***GASB Statement No. 85***

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). Application of this statement is effective for the City's fiscal year ending June 30, 2019.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 2 – Cash and Investments**

Cash and investments are presented in the accompanying financial statements at June 30, 2016 as follows:

	Government-Wide Statement of Net Position			Fiduciary Funds Statement of Net Position	
	Governmental Activities	Business-Type Activities	Total	Total	Total
Cash and investments	\$ 19,668,173	\$ 23,922,607	\$ 43,590,780	\$ 3,303,784	\$ 46,894,564
Cash and investments with fiscal agents	16,191,126	988,627	17,179,753	11,665,161	28,844,914
<b>Total</b>	<b>\$ 35,859,299</b>	<b>\$ 24,911,234</b>	<b>\$ 60,770,533</b>	<b>\$ 14,968,945</b>	<b>\$ 75,739,478</b>

Cash and investments consisted of the following at June 30, 2016:

Cash:	
Petty Cash	\$ 6,050
Demand Deposits	35,298,765
Total cash and cash equivalents	<u>35,304,815</u>
Investments:	
Money Market Funds	40,434,663
Total investments	<u>40,434,663</u>
<b>Total cash and investments</b>	<b>\$ <u>75,739,478</u></b>

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

**A. Demand deposits**

The carrying amounts of the City's cash deposits were \$35,298,765 at June 30, 2016. Bank balances at June 30, 2016, were \$35,707,856. 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.



**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

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

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
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

***C. Investments Authorized by Debt Agreements***

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

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

***D. Fair Value Measurement***

As of June 30, 2016, the City’s investments had the following recurring fair value measurements:

<b>Investment Type</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>N/A</b>	<b>Total</b>
Held by bond trustee:					
Money market mutual funds	\$ -	\$ -	\$ -	\$ 40,434,663	\$ 40,434,663
<b>Total Investments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 40,434,663</b>	<b>\$ 40,434,663</b>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**E. Risk Disclosures**

**Disclosures Relating to Interest Rate Risk**

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

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity 1 Year or Less</u>
Held by Bond Trustees:		
Money Market Funds	\$ 40,434,663	\$ 40,434,663
Totals	<u>\$ 40,434,663</u>	<u>\$ 40,434,663</u>

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

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. However, some issuers do not seek a credit rating. For instance, the California Local Agency Investment Fund (LAIF) has not sought or received a credit rating. In these cases, the purchaser is solely responsible for performing their own due diligence before purchasing an investment or participating in an external investment pool. Certificates of deposit of \$250,000 or less are fully insured by the Federal Deposit Insurance Corporation (FDIC), and therefore, do not seek a credit rating.

Presented below is the minimum rating required by (where applicable) the California Government Code, the City’s investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

<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>
Held by Bond Trustees:				
Money Market Funds	\$ 40,434,663	N/A	\$ -	\$ 40,434,663
Totals	<u>\$ 40,434,663</u>		<u>\$ -</u>	<u>\$ 40,434,663</u>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

***E. Risk Disclosures (Continued)***

**Disclosures Relating to Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2016, the City’s deposits (bank balances) were collateralized under California Law. All securities, with the exception of LAIF and other pooled investments, are held by a third-party custodian (BNY Western Trust). BNY is a registered member of the Federal Reserve Bank.

**Disclosure Relating to Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated in the Gov't Code. GASB Statement No. 40 requires disclosure by amount and issuer, of investments in any one issuer that represent 5% or more of total investments. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of the City's total investments are as follows:

<u>Investments</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
Money Market Funds	\$ 40,434,663	100.00%
Total	<u>\$ 40,434,663</u>	<u>100.00%</u>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 3 – Notes and Loans Receivable**

The City has issued various long-term notes and loans receivable to support affordable housing and development objectives. However, the long-term notes and related interest receivable have been fully offset with an allowance reserved as allowance on both the Government-Wide Statement of Net Position and the Governmental Funds Balance Sheet due to the uncertain nature of long-term affordable housing and development loans.

At June 30, 2016, notes and loans receivable consisted of the following:

	Notes/Loans Receivable			Notes/Loans Receivable		Allowance for Doubtful Accounts	Financial Statement
	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016	Balance 6/30/2016	Balance 6/30/2016	Balance 6/30/2016
Calexico Community Action Council	\$ 306,377	\$ -	\$ -	\$ 306,377	\$ (306,377)	\$ -	-
De Anza Limited Partnership #1	422,977	-	-	422,977	(422,977)	-	-
De Anza Limited Partnership #3	5,000,000	-	-	5,000,000	(5,000,000)	-	-
De Anza Renovation	759,332	-	-	759,332	(759,332)	-	-
Victoria Manor Senior Apartments	200,000	-	-	200,000	(200,000)	-	-
CFA, Limited Partnership	400,000	-	-	400,000	(400,000)	-	-
Calexico II, LP	3,400,000	-	-	3,400,000	(3,400,000)	-	-
HPD Villa Del Este, LP	1,363,887	-	-	1,363,887	(1,363,887)	-	-
Villa Primavera Family Apartments Loan	4,280,307	369,693	-	4,650,000	(4,650,000)	-	-
Other Housing Loans	10,813,502	-	(574,517)	10,238,985	(10,238,985)	-	-
Total notes and loans receivable	\$ 26,946,382	\$ 369,693	\$ (574,517)	\$ 26,741,558	\$ (26,741,558)	\$ -	-

**A. Fund Financial Statements**

**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, 2016, the outstanding balance was \$306,377.

**De Anza Limited Partnership #1**

In 1997, the City loaned De Anza Limited Partnership the amount of \$422,977 for the De Anza Hotel construction project. The note is secured by property. The note bears interest at a rate of 3% per annum and is due on the 16<sup>th</sup> anniversary of the date the project was placed in service. At June 30, 2016, 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, 2016, the outstanding balance of the note was \$5,000,000.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**A. Fund Financial Statements (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, 2016, 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, 2016, 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, 2016, 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, 2016, 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, 2016, the outstanding balance of the note was \$1,363,887.

**Villa Primavera, LLP**

On November 4<sup>th</sup>, 2014, the City approved a loan to Villa Primavera CIC, LP an amount not to exceed \$5,100,000 for an affordable housing project for low income and senior citizens. The note is secured by a deed of trust. This promissory note bears interest at a rate of 3% per annum with a term of 55 years. Principal and accrued interest shall be repaid beginning from the date of Project Completion as defined by 24CFT 92.2, wherein the project must meet the affordability requirements contained herein. At June 30, 2016, the outstanding balance of the note was \$4,650,000. The balance of the approved loan was disbursed subsequent to June 30, 2016.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**A. Fund Financial Statements (Continued)**

**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, 2016, the outstanding balance of the loans was \$10,238,985.

**Note 4 – Interfund Transactions**

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

As of June 30, 2016, Due To/From Other Funds was as follows:

	<b>Due To Other Funds</b>					Total
	General Fund	Measure D Capital Projects Fund	Measure H Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	
<b>Due From Other Funds</b>						
LTA Measure D Special Revenue	\$ -	\$ -	\$ -	\$ 677,516	\$ -	\$ 677,516
Nonmajor Governmental Funds	1,639,906	317	49,056	1,983,109	-	3,672,388
Internal Service Fund	-	-	-	-	157,932	157,932
Total	<u>\$ 1,639,906</u>	<u>\$ 317</u>	<u>\$ 49,056</u>	<u>\$ 2,660,625</u>	<u>\$ 157,932</u>	<u>\$ 4,507,836</u>

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, 2016, interfund transfers were as follows:

	<b>Transfers In</b>			Total
	General Fund	Non-major Governmental Funds	Internal Service Funds	
<b>Transfers Out</b>				
General Fund	\$ -	\$ 1,285,397	\$ -	\$ 1,285,397
Non-major Governmental Funds	158,694	792,156	-	950,850
Internal Service Funds	-	-	185,300	185,300
Total	<u>\$ 158,694</u>	<u>\$ 2,077,553</u>	<u>\$ 185,300</u>	<u>\$ 2,421,547</u>

**General Fund** – The General Fund has transferred funds to the non-major governmental New River Capital Projects Fund to reimburse prior year costs that are not eligible for grant reimbursement. The General Fund also transferred funds to the non-major governmental Local Housing Programs Fund to reimburse prior year costs that are not eligible for grant reimbursement.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

Non-major Governmental Funds – The Library Grant Fund has transferred its accumulated fund balance to the General Fund as reimbursement for prior year grant eligible costs paid by the General Fund. The Successor Housing Fund transferred funds to other non-major Housing Funds to reimburse prior year administrative costs and other program costs that did not fully meet eligibility requirements for intended Federal and State grant programs.

Internal Service Funds – The Active Medical Internal Service Fund has transferred its surplus fund balance at June 2016 to support other Internal Service Fund operations in the Retiree Medical and Workers Compensation Internal Service Funds.

**C. Long-Term Advances**

As of June 30, 2016, Long-Term Advances were as follows:

	<b>Advances From Other Fund</b>
	General Fund
<b>Advances To Other Funds</b>	
Wastewater	\$ 3,500,000

On June 30, 2016, the City Council adopted a capital lease financing program in which the City’s Wastewater program advanced \$3.5 million to the General Fund to cover General Fund cash shortages. The terms of the advance include a 2% interest rate and a four year repayment schedule. On June 30, 2016, the City also adopted a balanced General Fund budget for the 2016-17 fiscal year which includes the initial installment repayment of its advance from the Wastewater Fund.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 5 – Capital Assets**

**A. Governmental Activities**

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

	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
<b>Non-depreciable Assets:</b>					
Land	\$ 5,394,203	\$ -	\$ -	\$ -	\$ 5,394,203
Construction in progress	5,583,278	3,269,770	-	(5,055,139)	3,797,909
Total non-depreciable assets	10,977,481	3,269,770	-	(5,055,139)	9,192,112
<b>Depreciable Assets:</b>					
Building and improvements	20,746,064	116,239	-	-	20,862,303
Machinery and equipment	9,267,257	544,430	-	-	9,811,687
Infrastructure	96,350,798	-	-	5,055,139	101,405,937
Total depreciable assets, at cost	126,364,119	660,669	-	5,055,139	132,079,927
<b>Less accumulated depreciation:</b>					
Building and improvements	(9,374,528)	(444,766)	-	-	(9,819,294)
Machinery and equipment	(5,286,733)	(777,224)	-	-	(6,063,957)
Infrastructure	(67,360,304)	(2,263,858)	-	-	(69,624,162)
Total accumulated depreciation	(82,021,565)	(3,485,848)	-	-	(85,507,413)
Total depreciable assets, net	44,342,554	(2,825,179)	-	5,055,139	46,572,514
<b>Total governmental activities</b>	<b>\$ 55,320,035</b>	<b>\$ 444,591</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 55,764,626</b>

Depreciation expense for capital assets of the governmental activities for the year ended June 30, 2016 was \$3,485,848 and was not allocated to any function or program.

**B. Business-Type Activities**

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

	Balance July 1, 2015	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2016
<b>Non-depreciable Assets:</b>					
Land	\$ 210,000	\$ -	\$ -	\$ -	\$ 210,000
Construction in progress	8,799,575	3,334,257	-	(9,934,526)	2,199,306
Total non-depreciable assets	9,009,575	3,334,257	-	(9,934,526)	2,409,306
<b>Depreciable Assets:</b>					
Building and improvements	37,017,197	-	-	-	37,017,197
Machinery and equipment	9,241,697	171,447	-	6,005,993	15,419,137
Infrastructure	17,554,624	-	-	3,928,533	21,483,157
Total depreciable assets, at cost	63,813,518	171,447	-	9,934,526	73,919,491
<b>Less accumulated depreciation:</b>					
Building and improvements	(13,519,370)	(721,957)	-	-	(14,241,327)
Machinery and equipment	(4,493,771)	(634,314)	-	-	(5,128,085)
Infrastructure	(5,598,443)	(399,797)	-	-	(5,998,240)
Total accumulated depreciation	(23,611,584)	(1,756,068)	-	-	(25,367,652)
Total depreciable assets, net	40,201,934	(1,584,621)	-	9,934,526	48,551,839
<b>Total business-type activities</b>	<b>\$ 49,211,509</b>	<b>\$ 1,749,636</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,961,145</b>



**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**B. Business-Type Activities (Continued)**

Depreciation expense for capital assets of the business-type activities for the year ended June 30, 2016 was as follows:

Water	\$	1,120,576
Wastewater		472,233
Airport		163,259
<b>Total depreciation expense</b>	<b>\$</b>	<b><u>1,756,068</u></b>

**C. Fiduciary Funds**

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

	Balance <u>July 1, 2015</u>	Additions	Deletions	Balance <u>June 30, 2016</u>
Non-depreciable Assets:				
Land	\$ 1,439,214	\$ -	\$ (39,982)	\$ 1,399,232
Total non-depreciable assets	<u>1,439,214</u>	<u>-</u>	<u>(39,982)</u>	<u>1,399,232</u>
Depreciable Assets:				
Building and improvements	3,747,247	-	(338,793)	3,408,454
Machinery and equipment	38,665	-	-	38,665
Total depreciable assets, at cost	<u>3,785,912</u>	<u>-</u>	<u>(338,793)</u>	<u>3,447,119</u>
Less accumulated depreciation:				
Building and improvements	(952,166)	(68,434)	262,448	(758,152)
Machinery and equipment	(37,750)	(611)	-	(38,361)
Total accumulated depreciation	<u>(989,916)</u>	<u>(69,045)</u>	<u>262,448</u>	<u>(796,513)</u>
Total depreciable assets, net	<u>2,795,996</u>	<u>(69,045)</u>	<u>(76,345)</u>	<u>2,650,606</u>
<b>Total fiduciary funds</b>	<b><u>\$ 4,235,210</u></b>	<b><u>\$ (69,045)</u></b>	<b><u>\$ (116,327)</u></b>	<b><u>\$ 4,049,838</u></b>

Depreciation expense for capital assets of the fiduciary funds for the year ended June 30, 2016 was \$69,045.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 6 – Long-Term Debt**

The following is a summary of changes in Long-Term Debt for the year ended June 30, 2016:

	Balance July 1, 2015	Debt Issued	Debt Retired	Balance June 30, 2016	Classification	
					Due in One Year	Due in more than One Year
<b>Governmental Activities:</b>						
<b>Long-Term Debt:</b>						
LTA Sales Tax Revenue Bonds	\$ 13,785,000	\$ -	\$ (590,000)	\$ 13,195,000	\$ 615,000	\$ 12,580,000
Bond Premium	59,868	-	(8,552)	51,316	-	51,316
Measure H Lease Revenue Bonds	10,585,000	-	(525,000)	10,060,000	545,000	9,515,000
Bond Premium	849,277	-	(60,663)	788,614	-	788,614
Tax Sharing Agreement	46,000	-	-	46,000	-	46,000
Loan Payable - Wal-Mart	1,466,722	-	-	1,466,722	-	1,466,722
Capital Lease Obligations	393,709	-	(194,232)	199,477	199,477	-
<b>Total long-term debt</b>	<b>27,185,576</b>	<b>-</b>	<b>(1,378,447)</b>	<b>25,807,129</b>	<b>1,359,477</b>	<b>24,447,652</b>
<b>Total governmental activities</b>	<b>\$ 27,185,576</b>	<b>\$ -</b>	<b>\$ (1,378,447)</b>	<b>\$ 25,807,129</b>	<b>\$ 1,359,477</b>	<b>\$ 24,447,652</b>
	Balance July 1, 2015	Debt Issued	Debt Retired	Balance June 30, 2016	Classification	
					Due in One Year	Due in more than One Year
<b>Business-Type Activities:</b>						
<b>Long-Term Debt:</b>						
Lease Revenue Bonds	\$ 13,660,000	\$ -	\$ (385,000)	\$ 13,275,000	\$ 400,000	\$ 12,875,000
State Revolving Fund Loan	332,804	-	(162,536)	170,268	170,268	-
<b>Total long-term debt</b>	<b>13,992,804</b>	<b>-</b>	<b>(547,536)</b>	<b>13,445,268</b>	<b>570,268</b>	<b>12,875,000</b>
<b>Total business-type activities</b>	<b>\$ 13,992,804</b>	<b>\$ -</b>	<b>\$ (547,536)</b>	<b>\$ 13,445,268</b>	<b>\$ 570,268</b>	<b>\$ 12,875,000</b>
<b>Fiduciary Funds:</b>						
<b>Long-Term Debt:</b>						
Tax Allocation Bonds	\$ 37,671,997	\$ -	\$ (1,454,781)	\$ 34,716,516	\$ 1,345,000	\$ 33,371,516
<b>Total Fiduciary Funds</b>	<b>\$ 37,671,997</b>	<b>\$ -</b>	<b>\$ (1,454,781)</b>	<b>\$ 34,716,516</b>	<b>\$ 1,345,000</b>	<b>\$ 33,371,516</b>

**A. Governmental Activities Long-Term Debt**

**LTA Sales Tax Revenue Bonds**

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

The issue consists of serial bonds in the amount \$15,410,000 payable annually on June 1 of each year, commencing on June 1, 2013 and maturing in 2032 with interest rates ranging from 3% to 4% per annum. Interest payments are due on June 1 and December 1 of each year until the bonds are paid off. At June 30, 2016, the outstanding balance of the bonds was \$13,195,000. Total principal and interest remaining on the bond is \$19,250,275, payable through 2032.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

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

The annual requirements to amortize the bonds outstanding at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 615,000	\$ 526,550	\$ 1,141,550
2018	635,000	505,525	1,140,525
2019	660,000	483,600	1,143,600
2020	685,000	457,700	1,142,700
2021	710,000	430,800	1,140,800
2022-2026	3,970,000	1,753,900	5,723,900
2027-2031	4,835,000	905,600	6,646,200
2032	1,085,000	86,000	1,171,000
<b>Total</b>	<b>\$ 13,195,000</b>	<b>\$ 5,149,675</b>	<b>\$ 19,250,275</b>

**Measure H Lease Revenue Bonds**

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

The issue consisted of serial bonds in the amount \$11,200,000 payable annually on June 1 of each year, commencing on April 1, 2013 and maturing in 2030 with interest rates ranging from 3% to 4% per annum. Interest payments are due on April 1 and October 1 of each year until the bonds are paid off. At June 30, 2016, the outstanding balance of the bonds was \$10,060,000. Total principal and interest remaining on the bond is \$13,719,800, payable through 2030.

The annual requirements to amortize the bonds outstanding at June 30, 2016, are as follows:

June 30,	Principal	Interest	Total
2017	\$ 545,000	\$ 442,100	\$ 987,100
2018	565,000	419,900	984,900
2019	585,000	396,900	981,900
2020	610,000	373,000	983,000
2021	635,000	348,100	983,100
2022-2026	3,585,000	1,315,425	4,900,425
2027-2030	3,535,000	364,375	3,899,375
<b>Total</b>	<b>\$ 10,060,000</b>	<b>\$ 3,659,800</b>	<b>\$ 13,719,800</b>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

**Tax Sharing Agreement – Imperial County**

In June 2003, the City entered into an agreement with LAFCO in order to offset the “negative fiscal impacts,” as determined by LAFCO, to the County as a result of the approval of the Calexico Annexation No. CX 3-01. The City agreed to pay the County \$291,000 interest free, payable solely from the property tax revenues upon annexation of the area. At June 30, 2016, 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, 2016, 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.

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.

At June 30, 2016, the outstanding balance was \$1,466,722.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

**Capital Lease Obligations**

The City entered into various capital lease agreements to finance office equipment and police vehicles. The leases have been classified as capital lease obligations. The gross amount of assets acquired under capital leases is \$483,007. The debt requirements due under the terms of all the leases are as follows:

Fiscal Years Ending June 30,	Amount
2017	\$ 204,862
Total Minimum Lease Payments	204,862
Less Amount Representing Interest	<u>(5,385)</u>
Present Value of Minimum Lease Payments	<u>\$ 199,477</u>

**B. Business-Type Activities Long-Term Debt**

**Lease Revenue Bonds - 2007**

On January 1, 2007, the City, through the Agency issued \$14,030,000 in Water System Lease Revenue Bonds of 2007. Proceeds from the sale of the bonds were used to provide funds to finance certain capital improvements to the City's water system, fund a reserve account for the bonds, fund capitalized interest, and pay certain costs of issuance of the bonds. The bonds will be payable solely from certain lease payments to be made by the City to the Agency pursuant to a lease agreement by and between the City and the Agency. The lease payments are special limited obligations of the City payable solely from and secured by a pledge of and first lien on water revenues. The total outstanding principal balance on the bonds as of June 30, 2016 was \$13,275,000.

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 \$20,418,966, payable through 2037.

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 400,000	\$ 579,620	\$ 979,620
2018	415,000	564,335	979,335
2019	430,000	548,065	978,065
2020	445,000	530,780	975,780
2021	465,000	512,348	977,348
2022-2026	2,660,000	2,212,627	4,872,627
2027-2031	3,355,000	1,498,484	4,853,484
2032-2036	4,160,000	677,033	4,837,033
2037	945,000	20,674	965,674
<b>Total</b>	<u>\$ 13,275,000</u>	<u>\$ 7,143,966</u>	<u>\$ 20,418,966</u>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

**State Revolving Fund (SRF) Loan**

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

The principal balance outstanding as of June 30, 2015, was \$170,268 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
2017	\$ 170,268	\$ 8,077	\$ 178,345
<b>Total</b>	<b>\$ 170,268</b>	<b>\$ 8,077</b>	<b>\$ 178,345</b>

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

**Tax Allocation Refunding Bonds**

	Balance July 1, 2015	Debt Issued	Debt Retired	Balance June 30, 2016	Classification	
					Due in One Year	Due in more than One Year
Tax Allocation Bonds - 2000	\$ 640,000	\$ -	\$ (25,000)	\$ 615,000	\$ 25,000	\$ 590,000
Tax Allocation Refunding Bonds - 2006	9,705,000	-	(45,000)	9,660,000	45,000	9,615,000
Tax Allocation Bonds - 2011	7,120,000	-	-	7,120,000	-	7,120,000
Bond Discount	(32,283)	-	1,794	(30,489)	-	(30,489)
Tax Allocation Bonds - 2011 School District	1,815,000	-	-	1,815,000	-	1,815,000
Bond Discount	(150,562)	-	8,364	(142,198)	-	(142,198)
2014 Tax Allocation Refunding Bonds	15,395,000	-	(1,275,000)	14,120,000	1,275,000	12,845,000
Bond Discount	1,679,142	-	(119,939)	1,559,203	-	1,559,203
<b>Total Tax Allocation Bonds</b>	<b>\$ 36,171,297</b>	<b>\$ -</b>	<b>\$ (1,454,781)</b>	<b>\$ 34,716,516</b>	<b>\$ 1,345,000</b>	<b>\$ 33,371,516</b>

**2000 Tax Allocation Bonds**

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

**2000 Tax Allocation Bonds (Continued)**

Interest payments are payable on August 1 and February 1 of each year, commencing on August 1, 2001. The bonds consist of \$150,000 of serial bonds due August 1, 2001, at an interest rate of 3.85% and \$9,850,000 of term bonds with principal maturing on August 1 beginning 2002 and ending in 2030. Interest rates on the term bonds vary from 4.25% to 5.50% per annum. Annual debt service principal requirements range from \$10,000 to \$1,780,000. During the year, principal payments of \$15,000 were made. The outstanding balance of the bonds in the amount of \$680,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2016, the outstanding balance of the bonds was \$615,000. The total principal and interest remaining to be paid on the bond is \$868,530, payable through 2026.

The annual debt service requirements for the 2000 Tax Allocation Bonds at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 25,000	\$ 32,350	\$ 57,350
2018	25,000	31,040	56,040
2019	25,000	29,697	54,697
2020	25,000	28,354	53,354
2021	25,000	27,010	52,010
2022-2026	490,000	105,079	595,079
<b>Total</b>	<b>\$ 615,000</b>	<b>\$ 253,530</b>	<b>\$ 868,530</b>

**2006 Tax Allocation Refunding Bonds**

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

The issue consists of serial bonds in the amount \$9,995,000 payable annually on August 1 of each year, commencing on August 1, 2006 and maturing in 2031 with interest rates ranging from 3.50% to 4.50% per annum. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off. The outstanding balance of the bonds in the amount of \$9,830,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2016, the outstanding balance of the bonds was \$9,660,000. Total principal and interest remaining on the bond is \$14,592,088, payable through 2031.

The annual requirements to amortize the 2006 Tax Allocation Bonds outstanding at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 45,000	\$ 412,404	\$ 457,404
2018	50,000	410,575	460,575
2019	50,000	408,575	458,575
2020	50,000	406,560	456,560
2021	55,000	404,460	459,460
2022-2026	1,280,000	1,966,712	3,246,712
2027-2031	8,130,000	922,802	9,052,802
<b>Total</b>	<b>\$ 9,660,000</b>	<b>\$ 4,932,088</b>	<b>\$ 14,592,088</b>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 6 – Long-Term Debt (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, 2016, the outstanding balance of the bonds was \$7,120,000. Total principal and interest remaining on the bond is \$15,584,375, payable through 2033.

The annual debt service requirements for the 2011 Tax Allocation Bonds at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ -	\$ 516,200	\$ 516,200
2018	-	516,200	516,200
2019	-	516,200	516,200
2020	-	516,200	516,200
2021	-	516,200	516,200
2022-2026	-	2,581,000	2,581,000
2027-2031	420,000	2,551,275	2,971,275
2032-2034	6,700,000	751,100	7,451,100
<b>Total</b>	<b>\$ 7,120,000</b>	<b>\$ 8,464,375</b>	<b>\$ 15,584,375</b>

**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, 2016, the outstanding balance of the bonds was \$1,815,000. Total principal and interest remaining on the bond is \$3,501,160 payable through 2033. See Note 19 for subsequent events related to the Bonds.



**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

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

The annual debt service requirements for the 2011 Tax Allocation Bonds – School District at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ -	\$ 119,060	\$ 119,060
2018	5,000	118,900	123,900
2019	-	118,740	118,740
2020	-	118,740	118,740
2021	-	118,740	118,740
2022-2026	115,000	589,060	704,060
2027-2031	925,000	436,590	1,361,590
2032-2034	770,000	66,330	836,330
<b>Total</b>	<b>\$ 1,815,000</b>	<b>\$ 1,686,160</b>	<b>\$ 3,501,160</b>

**2014 Tax Allocation Refunding Bonds**

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

The issue consists of serial bonds in the amount \$15,395,000 payable annually on August 1 of each year, commencing on August 1, 2015 and maturing in 2028 with interest rates ranging from 2.00% to 5.00% per annum. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off. At June 30, 2016, the outstanding balance of the bonds was \$14,120,000. Total principal and interest remaining on the bond is \$18,012,775 payable through 2028.

The annual debt service requirements for the 2014 Tax Allocation Refunding Bonds at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,125,000	\$ 615,975	\$ 1,740,975
2018	1,150,000	576,100	1,726,100
2019	1,200,000	523,100	1,723,100
2020	1,265,000	472,950	1,737,950
2021	1,310,000	428,150	1,738,150
2022-2026	6,365,000	1,145,625	7,510,625
2027-2028	1,705,000	130,875	1,835,875
<b>Total</b>	<b>\$ 14,120,000</b>	<b>\$ 3,892,775</b>	<b>\$ 18,012,775</b>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

**Pledged Revenues**

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

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

Property tax revenue allocated to the RPTTF for the Successor Agency totaled \$2,274,294 in fiscal year 2016. Total debt service of all Tax Allocation Bonds paid was \$1,464,939, 64% 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 (Hearthstone) of the City of Calexico ("District"), which was established by the City pursuant to a bond indenture dated July 1, 2006. The bonds are being issued to finance certain public facilities and capital impact fees relating to a residential development within the District, fund an escrow account, fund a reserve account for the bonds, fund 18 months of capitalized interest on the bonds, and pay the cost of issuance of the bonds. These bonds are payable only from special assessment collections from the property owners. The City is not liable for repayment in any manner. The City is only acting as an agent for the property owners and bondholders in collecting and applying the special assessments toward bond debt service. The bonds are, therefore, not reported as a liability in the accompanying basic financial statements. The special assessment tax bonds totaling \$12,780,000 at June 30, 2016 were held by the District.

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

On February 1, 2014, the City issued special assessment tax bonds under the State Improvement Acts of 1911 and 1915 through the Communities Facilities District No. 2013-1 (Gran Plaza) of the City of Calexico ("District"), which was established by the City pursuant to a bond indenture dated February 1, 2014. Proceeds of the Bonds will be used to (i) finance certain public facilities relating to an outlet shopping center within the District; (ii) fund a debt service reserve account; (iii) fund capitalized interest; and (iv) pay costs of issuance of the Bonds. These bonds are payable only from special assessment collections from the property owners. The City is not liable for repayment in any manner. The City is only acting as an agent for the property owners and bondholders in collecting and applying the special assessments toward bond debt service. The bonds are, therefore, not reported as a liability in the accompanying basic financial statements. The special assessment tax bonds totaling \$7,000,000 at June 30, 2016 were held by the District.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**D. Conduit Debt (Continued)**

**Community Facilities District No. 2013-1 – Special Tax Bonds (Continued)**

On September 1, 2015, the bond reserve account held by trustee was \$587,894, which is less than the required balance of \$1,016,560. The reserve account has been impacted by the facts that several draws have been made over past few years, the development phases have not been completed, and sufficient District levies have not been collected to fully fund debt service requirements. City administrators, community facilities district consultants, the City Attorney, new property owners, and trustee attorneys are currently working on a financial plan to auction undeveloped property to provide a final solution to this issue.

**Note 7 – Compensated Absences**

**A. Governmental Activities**

The City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) in the governmental activities has been accrued and amounts to \$1,298,986 at June 30, 2016. There is no fixed payment schedule for compensated absences.

Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Classification	
				Due Within One Year	Due Within Than One Year
\$ 1,300,273	\$ 122,704	\$ (123,991)	\$ 1,298,986	\$ 184,066	\$ 1,114,920
<u>\$ 1,300,273</u>	<u>\$ 122,704</u>	<u>\$ (123,991)</u>	<u>\$ 1,298,986</u>	<u>\$ 184,066</u>	<u>\$ 1,114,920</u>

**B. Business-Type Activities**

In proprietary funds, the liability for vested and unpaid compensated absences (accrued vacation and sick pay) is reported in the funds as the benefits vest and is earned. The compensated absences accrued in the proprietary funds amount to \$278,948 at June 30, 2016. There is no fixed payment schedule for compensated absences.

Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Classification	
				Due Within One Year	Due Within Than One Year
\$ 269,922	\$ 20,697	\$ (11,671)	\$ 278,948	\$ 18,144	\$ 260,804
<u>\$ 269,922</u>	<u>\$ 20,697</u>	<u>\$ (11,671)</u>	<u>\$ 278,948</u>	<u>\$ 18,144</u>	<u>\$ 260,804</u>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Risk Management**

**A. Summary**

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

Changes in the claims liability amounts were as follows:

	Balance July 1, 2015	Claim Additions	Claim Payments	Balance June 30, 2016	Classification	
					Due in One Year	Due in more than One Year
<b>Workers Compensation:</b>						
Self-Insured Claims	\$ -	\$ 176,082	\$ -	\$ 176,082	\$ 176,082	\$ -
JPIA Retrospective Claims	214,719	959,082	-	1,173,801	251,481	922,320
<b>Total</b>	<b>\$ 214,719</b>	<b>\$ 1,135,164</b>	<b>\$ -</b>	<b>\$ 1,349,883</b>	<b>\$ 427,563</b>	<b>\$ 922,320</b>
<b>General Liability:</b>						
Self-Insured Claims	\$ -	\$ 538,811	\$ -	\$ 538,811	\$ 1,000	\$ 537,811
JPIA Retrospective Claims	2,602,307	-	(1,628,707)	973,600	586,790	386,810
<b>Total</b>	<b>\$ 2,602,307</b>	<b>\$ 538,811</b>	<b>\$ (1,628,707)</b>	<b>\$ 1,512,411</b>	<b>\$ 587,790</b>	<b>\$ 924,621</b>
<b>Total Claims Payable:</b>						
Self-Insured Claims	\$ -	\$ 177,082	\$ -	\$ 177,082	\$ 177,082	\$ -
JPIA Retrospective Claims	2,817,026	1,496,893	(1,628,707)	2,685,212	838,271	1,846,941
<b>Total</b>	<b>\$ 2,817,026</b>	<b>\$ 1,673,975</b>	<b>\$ (1,628,707)</b>	<b>\$ 2,862,294</b>	<b>\$ 1,015,353</b>	<b>\$ 1,846,941</b>

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

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

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

**General Liability Insurance**

Annual deposits are paid by member cities and are adjusted retroactively to cover costs. Each member city has a specific retention level. The City has a retention level of \$250,000 and pays 100% of all losses incurred under \$250,000. The City does not share or pay for losses of other cities under \$250,000. Losses of \$250,000 to \$5,000,000 are prorated among all participating cities on a payroll basis. Losses in excess of \$5,000,000 are covered by excess insurance purchased by the participating cities, as a part of the pool, to a limit of \$10,000,000. This cost is also prorated on a payroll basis. The City purchased an optional excess coverage which covers up to \$20,000,000 and catastrophic coverage up to \$50,000,000.

**Workers' Compensation**

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

Self-insured workers' compensation and general liability claims payable of \$176,082 and \$538,811 respectively, are reported at June 30, 2016. Of the total self-insured claims payable, \$177,082 is due within the next fiscal year. During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage in the prior year.

***C. California Joint Powers Insurance Authority***

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

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

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.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**C. California Joint Powers Insurance Authority (Continued)**

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, 2016, the City’s outstanding principal and interest balance for JPIA retrospective claims was \$1,173,801 and \$1,511,411 for workers’ compensation and general liability, respectively. Of this amount, \$251,481 and \$586,790 is due within the next fiscal year for workers’ compensation and general liability, respectively.

The latest financial information of the CSAC Excess Insurance Authority for fiscal year ended June 30, 2015, is as follows:

Total assets	\$ 738,658,237
Total deferred outflows	\$ 3,329,112
Total liabilities	\$ (602,870,657)
Total deferred inflows	\$ (1,444,075)
Total equities	\$ 137,672,617
Total revenues	\$ 787,536,407
Total expenses	\$ (762,270,435)
Revenues over expenses	\$ 25,265,972

**Note 9 – Public Employee Retirement System**

**A. Summary**

**Aggregate Net Pension Liability**

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

	Miscellaneous Plan	Safety Plan	Total
Governmental Activities	\$ 5,170,780	\$ 10,367,155	\$ 15,537,935
Business-Type funds:			
Water	1,256,431	-	1,256,431
Wastewater	1,011,691	-	1,011,691
Total Business-Type funds	2,268,122	-	2,268,122
<b>Total</b>	<b>\$ 7,438,902</b>	<b>\$ 10,367,155</b>	<b>\$ 17,806,057</b>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Public Employee Retirement System (Continued)**

**A. Summary (Continued)**

**Deferred Outflows of Resources**

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

*Pension Contributions Made after the Measurement Date*

	Miscellaneous Plan	Safety Plan	Total
Governmental Activities	\$ 304,464	\$ 1,385,061	\$ 1,689,525
Business-Type funds:			
Water	73,981	-	73,981
Wastewater	59,570	-	59,570
Total Business-Type funds	133,551	-	133,551
<b>Total</b>	<b>\$ 438,015</b>	<b>\$ 1,385,061</b>	<b>\$ 1,823,076</b>

**Deferred Outflows of Resources (Continued)**

*Positive Adjustments due to Differences in Proportions*

	Miscellaneous Plan	Safety Plan	Total
Governmental Activities	\$ -	\$ 17,739	\$ 17,739
<b>Total</b>	<b>\$ -</b>	<b>\$ 17,739</b>	<b>\$ 17,739</b>

*Positive Differences between City's contribution and Proportionate Share of Contributions*

	Miscellaneous Plan	Safety Plan	Total
Governmental Activities	\$ -	\$ 170,811	\$ 170,811
<b>Total</b>	<b>\$ -</b>	<b>\$ 170,811</b>	<b>\$ 170,811</b>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 9 – Public Employee Retirement System (Continued)**

**A. Summary (Continued)**

*Total Pension-related Deferred Outflows*

	Miscellaneous Plan	Safety Plan	Total
Governmental Activities	\$ 304,464	\$ 1,573,611	\$ 1,878,075
Business-Type funds:			
Water Utility	73,981	-	73,981
Sewer Utility	59,570	-	59,570
Total Business-Type funds	133,551	-	133,551
<b>Total</b>	<b>\$ 438,015</b>	<b>\$ 1,573,611</b>	<b>\$ 2,011,626</b>

**Deferred Inflows of Resources**

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

*Difference between Projected and Actual Earnings on Pension Plan Investments*

	Miscellaneous Plan	Safety Plan	Total
Governmental Activities	\$ 221,293	\$ 390,966	\$ 612,259
Business-Type funds:			
Water	53,771	-	53,771
Wastewater	43,297	-	43,297
Total Business-Type funds	97,068	-	97,068
<b>Total</b>	<b>\$ 318,361</b>	<b>\$ 390,966</b>	<b>\$ 709,327</b>

*Difference between Expected and Actual Experience*

	Miscellaneous Plan	Safety Plan	Total
Governmental Activities	\$ 125,515	\$ 167,726	\$ 293,241
Business-Type funds:			
Water	30,498	-	30,498
Wastewater	24,558	-	24,558
Total Business-Type funds	55,056	-	55,056
<b>Total</b>	<b>\$ 180,571</b>	<b>\$ 167,726</b>	<b>\$ 348,297</b>



**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 9 – Public Employee Retirement System (Continued)**

**A. Summary (Continued)**

*Changes in Assumptions*

	Miscellaneous Plan	Safety Plan	Total
Governmental Activities	\$ 407,162	\$ 771,431	\$ 1,178,593
Business-Type funds:			
Water	98,935	-	98,935
Wastewater	79,663	-	79,663
Total Business-Type funds	178,598	-	178,598
<b>Total</b>	<b>\$ 585,760</b>	<b>\$ 771,431</b>	<b>\$ 1,357,191</b>

*Total Pension-related Deferred Inflows*

	Miscellaneous Plan	Safety Plan	Total
Governmental Activities	\$ 753,970	\$ 1,330,123	\$ 2,084,093
Business-Type funds:			
Water	183,204	-	183,204
Wastewater	147,518	-	147,518
Total Business-Type funds	330,722	-	330,722
<b>Total</b>	<b>\$ 1,084,692</b>	<b>\$ 1,330,123</b>	<b>\$ 2,414,815</b>

**Pension Expense**

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

	Miscellaneous Plan	Safety Plan	Total
Governmental Activities	\$ 184,842	\$ 867,146	\$ 1,051,988
Business-Type funds:			
Water	44,914	-	44,914
Wastewater	36,165	-	36,165
Total Business-Type funds	81,079	-	81,079
<b>Total</b>	<b>\$ 265,921</b>	<b>\$ 867,146</b>	<b>\$ 1,133,067</b>

**B. CalPERS Miscellaneous Pension Plan**

**Plan Description**

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Public Employee Retirement System (Continued)**

**B. CalPERS Miscellaneous Pension Plan (Continued)**

**Benefits Provided**

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

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

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

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

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

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

	Active employees	Inactive employees or beneficiaries currently receiving benefits	Inactive employees entitled to but not yet receiving benefits
Miscellaneous Plans	97	114	109

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Public Employee Retirement System (Continued)**

**B. CalPERS Miscellaneous Pension Plan (Continued)**

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2015, the average active miscellaneous employee and miscellaneous PEPRA contribution rates were 7.000% and 5.25%, respectively, of annual pay, and the employer’s contribution rates were 10.376% and 10.376%, respectively, for employee annual payroll.

For the measurement period ended June 30, 2015, the contributions were:

	<u>Contributions - employer</u>
Miscellaneous Plans	\$ 389,770

**Net Pension Liability**

The City’s net pension liability is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page.

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds. The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Public Employee Retirement System (Continued)**

***B. CalPERS Miscellaneous Pension Plan (Continued)***

**Net Pension Liability (Continued)**

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

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

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

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

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 9 – Public Employee Retirement System (Continued)**

**B. CalPERS Miscellaneous Pension Plan (Continued)**

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	50.00%	5.25%	5.71%
Global Fixed Income	17.00%	0.99%	2.43%
Inflation Sensitive	4.00%	0.45%	3.36%
Private Equity	14.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	0.00%	4.50%	5.09%
Liquidity	4.00%	-0.55%	-1.05%
	100%		

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

<sup>2</sup>An expected inflation of 3.0% used for this period.

**Changes in the Net Pension Liability**

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

	Miscellaneous Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at: 6/30/2014 (Valuation Date)	\$ 42,585,621	\$ 36,319,001	\$ 6,266,620
Changes Recognized for the Measurement Period:			
Service Cost	667,325	-	667,325
Interest on the Total Pension Liability	3,135,933	-	3,135,933
Changes of Assumptions	(840,438)	-	(840,438)
Differences between Expected and Actual Experience	(259,080)	-	(259,080)
Contributions from the Employer	-	389,771	(389,771)
Contributions from Employees	-	375,172	(375,172)
Net Investment Income (Net admin expenses)	-	807,277	(807,277)
Benefit Payments, including Refunds of Employee Contributions	(1,654,333)	(1,654,333)	-
Administrative Expense	-	(40,762)	40,762
Net Changes during 2014-15	\$ 1,049,407	\$ (122,875)	\$ 1,172,282
Balance at: 6/30/2015 (Measurement Date)	\$ 43,635,028	\$ 36,196,126	\$ 7,438,902

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 9 – Public Employee Retirement System (Continued)**

**B. CalPERS Miscellaneous Pension Plan (Continued)**

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

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(6.65%)	Rate (7.65%)	(8.65%)
Miscellaneous Plans	\$ 13,863,525	\$ 7,438,902	\$ 2,160,484

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

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

For the year ended June 30, 2016, the City recognized pension expense in the amounts of \$265,921 for the Miscellaneous plan.

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

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

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

At June 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plans		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ -	\$ (318,362)
Changes in assumptions	-	(585,760)
Difference between actual and expected experience	-	(180,571)
Total	\$ -	\$ (1,084,693)

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Public Employee Retirement System (Continued)**

**B. CalPERS Miscellaneous Pension Plan (Continued)**

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

Year Ended June 30,	Miscellaneous Plans
2016	\$ (567,443)
2017	(567,443)
2018	(334,214)
2019	384,407
2020	-
Thereafter	-
	\$ (1,084,693)

**C. CalPERS Safety Pension Plans**

**Plan Description**

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

**Benefits Provided**

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Public Employee Retirement System (Continued)**

**C. CalPERS Safety Pension Plans (Continued)**

**Benefits Provided (Continued)**

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

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

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

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

**Employees Covered**

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

	Active employees	Inactive employees or beneficiaries currently receiving benefits	Inactive employees entitled to but not yet receiving benefits
Safety Plans	59	78	82

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by the Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015, the active employee contribution rate was 9% of annual payroll for the Safety Classic Plan, 11.5% for the Safety PEPRAs Fire Plan, and 11.5% for the Safety PEPRAs Police Plan. The average employer's contribution rate was 14.785% for the Safety Classic Plan, 12.082% for the Safety PEPRAs Fire Plan and 12.082% for the Safety PEPRAs Police Plan.



**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 9 – Public Employee Retirement System (Continued)**

**C. CalPERS Safety Pension Plans (Continued)**

**Contributions (Continued)**

For the measurement period ended June 30, 2015, the plan’s proportionate share of aggregate employer contributions made for each Plan was as follows:

	<u>Contributions - employer</u>
Safety Plans	\$ 1,275,182

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

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Increase (Decrease)</u>		
<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Plan Net Pension Liability/(Asset)</u>	
<b>Safety Plans:</b>			
Balance at: 6/30/14 (Valuation date)	\$ 45,359,257	\$ 35,438,615	\$ 9,920,642
Balance at: 6/30/15 (Measurement date)	46,739,571	36,372,416	10,367,155
Net Changes during 2014-2015	1,380,314	933,801	446,513

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

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2014). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Public Employee Retirement System (Continued)**

**C. CalPERS Safety Pension Plans (Continued)**

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

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

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

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

The City’s proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	Safety Plans
Proportion June 30, 2014	0.26449%
Proportion June 30, 2015	0.25160%
Change - Increase (Decrease)	0.24161%

For the year ended June 30, 2015, the City recognized pension expense in the amounts of \$867,146 for the Safety plans.

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

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 9 – Public Employee Retirement System (Continued)**

**C. CalPERS Safety Pension Plans (Continued)**

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

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Safety Plans</b>	
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (390,966)
Adjustment due to differences in proportions	17,739	-
Changes in assumptions	-	(771,431)
Difference between actual and expected experience	-	(167,726)
Difference between Employer's actual contributions and proportionate share of contributions	170,811	-
Total	\$ 188,550	\$ (1,330,123)

For the Safety Plans, \$1,385,061 was reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Safety Plans
2016	\$ (546,051)
2017	(552,952)
2018	(522,506)
2019	479,936
2020	-
Thereafter	-
	\$ (1,141,573)

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Public Employee Retirement System (Continued)**

**C. CalPERS Safety Pension Plans (Continued)**

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2013 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**Discount Rate**

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

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

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 9 – Public Employee Retirement System (Continued)**

**C. CalPERS Safety Pension Plans (Continued)**

**Discount Rate (Continued)**

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

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	50.00%	5.25%	5.71%
Global Fixed Income	17.00%	0.99%	2.43%
Inflation Sensitive	4.00%	0.45%	3.36%
Private Equity	14.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	0.00%	4.50%	5.09%
Liquidity	4.00%	-0.55%	-1.05%
	100%		

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

<sup>2</sup>An expected inflation of 3.0% used for this period.

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

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

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(6.65%)	Rate (7.65%)	(8.65%)
Safety Plans	\$ 16,622,110	\$ 10,367,155	\$ 5,238,207

**Pension Plan Fiduciary Net Position**

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

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 9 – Public Employee Retirement System (Continued)**

**C. CalPERS Safety Pension Plans (Continued)**

**Payable to the Pension Plan**

At June 30, 2016, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**Note 10 – Other Postemployment Benefits Plan**

***Plan Description***

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

***Funding Policy***

Currently, the City accounts for retiree health benefits on a pay-as-you-go basis. The pay-as-you-go or employer payment amount for the 2016 fiscal year was \$431,568.

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

***Annual OPEB Cost***

For the year ended June 30, 2016, the City's Annual Required Contribution is \$2,787,602. This amount is comprised of the present value of benefits accruing in the fiscal year (normal cost) plus a 30-year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability (past service liability) at July 1, 2014. The net OPEB obligation at the end of the fiscal year will reflect any actual retiree health contributions and any GASB eligible pre-funding amounts made during the period.

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

	Beginning Balance Net OPEB Obligation	Annual Required Contributions	Actual Contributions	Amortization of Net OPEB Obligation	Accrued Interest	Ending Balance Net OPEB Obligation
2013-2014	\$ 7,569,634	\$ 2,370,740	\$ (377,492)	\$ (473,612)	\$ 302,785	\$ 9,392,055
2014-2015	9,392,055	2,751,111	(625,817)	(615,995)	375,682	11,277,036
2015-2016	11,277,036	2,787,602	(431,568)	(739,625)	451,081	13,344,526

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 10 – Other Postemployment Benefits Plan (Continued)**

**Most Recent Actuarial Study – Schedule of Funding Progress**

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

**Actuarial Methods and Assumptions**

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

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

**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.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

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

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

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

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

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

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, 2016, 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.



**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 12 – Commitments and Contingencies (Continued)**

**B. Grants**

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

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

**C. Construction**

Various construction projects were in progress at June 30, 2016 with an estimated cost to complete of approximately \$2,440,000 planned for in all fund types.

**Note 13 – Deferred Compensation Plan**

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

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

**Note 14 – Self-Funded Medical, Dental and Vision Plan**

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

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

The City provides a network of Exclusive Provider Organization (EPO) participants and a Preferred Provider Organization (PPO) network for eligible retirees and Police Officers Association (POA) members.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 15 – Other Required Disclosures**

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

At June 30, 2016, the Governmental Activities Statement of Net Position had an unrestricted net position deficit of \$(38,007,194).

At June 30, 2016, the following funds had a fund balances (deficit) or net position (deficit), which will be eliminated through the reduction in future expenditures and/or the use of new funding sources:

Fund	Fund Type	Deficit
General Fund	General Fund	\$ (4,042,178)
State CalHOME Grant Fund	Special Revenue Fund	(887,850)
Local Housing Programs	Special Revenue Fund	(7,023)
DIF - Fire	Capital Projects Fund	(247,275)
Workers Compensation	Internal Service Fund	(1,173,731)
General Liability	Internal Service Fund	(1,510,736)
Successor Agency to the Calexico Community Redevelopment Agency	Private Purpose Trust Fund	(19,163,628)

**B. Expenditures Exceeding Appropriations**

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

Fund	Function	Excess
General Fund	Public works	\$ (94,002)
General Fund	Community development	(66,402)

**Note 16 – Fund Balance Classification**

The City's fund balances at June 30, 2016 are tabulated below by fund types:

	Major Funds					Total
	General Fund	LTA Measure D Special Revenue Fund	LTA Measure H Capital Project Fund	LTA Measure D Capital Project Fund	Other Governmental Fund	
Restricted:						
Measure D	\$ -	\$ 8,388,718	\$ -	\$ -	\$ -	\$ 8,388,718
Debt Service Payments	-	-	-	-	2,931,991	2,931,991
Public safety	-	-	-	-	12,305	12,305
Public works	-	-	-	-	2,637,545	2,637,545
Culture and recreation	-	-	-	-	253,008	253,008
Housing	-	-	-	-	3,262,115	3,262,115
Capital Projects	-	-	6,068,649	7,141,113	9,240,367	22,450,129
Total restricted	-	8,388,718	6,068,649	7,141,113	18,337,331	39,935,811
Unassigned (deficit)	(4,042,178)	-	-	-	(1,142,148)	(5,184,326)
Total unassigned	(4,042,178)	-	-	-	(1,142,148)	(5,184,326)
<b>Total fund balances</b>	<b>\$ (4,042,178)</b>	<b>\$ 8,388,718</b>	<b>\$ 6,068,649</b>	<b>\$ 7,141,113</b>	<b>\$ 17,195,183</b>	<b>\$ 34,751,485</b>

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 17 – Prior Period Adjustments**

**A. Government-Wide Financial Statements**

The beginning net position at July 1, 2015 of the Government-wide Financial Statements was restated as follows:

	<b>Governmental Activities</b>
Net position at July 1, 2015, as previously reported	\$ 36,490,141
To adjust beginning balance for unrealizable CalHOME housing grant receivable	(1,556,557)
Net position at July 1, 2015, as restated	\$ 34,933,584

**B. Governmental Fund Financial Statements**

The beginning fund balances at July 1, 2015 for the governmental funds were restated as follows:

	State CalHOME Grant
Fund balance at July 1, 2015, as previously reported	\$ 472,406
To adjust beginning balance for unrealizable CalHOME housing grant receivable	(1,556,556)
Fund balance at July 1, 2015, as restated	\$ (1,084,150)

**C. Proprietary Fund Financial Statements**

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

	Workers' Compensation	General Liability Fund
Net position at July 1, 2015, as previously reported	\$ -	\$ -
To allocate claims payable to newly established internal service funds	(214,719)	(2,602,307)
Net position at July 1, 2015, as restated	\$ (214,719)	\$ (2,602,307)

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 18 – Financial Condition of the General Fund**

The City's General Fund Balance Sheet reports a deficit fund balance of \$4,042,178 at June 30, 2016.

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

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

To address its accumulated projected deficit through June 2016, on June 30, 2016, the City Council adopted a capital lease financing program in which the City's Wastewater program advanced \$3.5 million to the General Fund. The terms of the advance include a 2% interest rate and a four year repayment schedule. The actual June 30, 2016 deficit of \$4.0 million is \$0.5 million higher than projected and higher than financed through the Wastewater advance, leaving the General Fund with an additional deficit to be remedied in subsequent year budget cycles.

On June 30, 2016, the City also adopted a balanced General Fund budget for the 2016-17 fiscal year which includes the initial installment repayment of its advance from the Wastewater Fund. The adopted 2016-17 budget assumed labor cost reductions to be achieved either through employee contract negotiation and other reductions. Subsequent to June 30, 2016, in January 2017, the City Council formally amended its 2016-17 budget to reflect new revenues; executed employee contract changes; and made other adjustments to rebalance the 2016-17 budget. In March 2017, the City Council received an additional midyear budget briefing that identified approximately \$1 million in risk in achieving its 2016-17 budget. Additional budget reductions are in progress with the objective to retain a balanced annual operating plan through the end of the 2016-17 fiscal year.

The City remains focused on addressing its long-term financial stability through budget monitoring and adjustment efforts to ensure that expenditures are controlled within available revenues. A 2017-18 budget is under development that continues to evaluate service delivery, staffing options, and reserve targets within the context of a balanced budget.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 19 – Subsequent Events**

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

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

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

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

The net proceeds from the 2011 CUSD TABs were intended to be used to construct the Facilities benefitting the CUSD and the CUSD Pass-through Revenues were committed as security for and payment of the debt service for 2011 CUSD TABs. No other revenues of the Former RDA or the CUSD were pledged or are available to pay debt service on the 2011 CUSD TABs.

After the 2011 CUSD TABs were issued, the State of California enacted legislation that caused the dissolution of all California redevelopment agencies, which became effective as of February 1, 2012 (i.e., Assembly Bill No. x1 26, as amended, hereinafter referred to as the “Dissolution Act”). As a result of the implementation of the Dissolution Act, the Successor Agency to the Former RDA (“Successor Agency”) may not transfer the net proceeds of the 2011 CUSD TABs (the “Net Proceeds”) to the CUSD without the approval of the California Department of Finance (the “DOF”) pursuant to an application therefor on a Recognized Obligation Payment Schedule (the “ROPS”).

Prior to the implementation of the Dissolution Act, the Former RDA received its allocable share of property taxes from the Former RDA’s Project Area and was responsible for the administration of the CUSD Pass-through Revenues consistent with the Antecedent Agreements. Under the Indenture governing the 2011 CUSD TABs, the Former RDA would deduct from the CUSD Pass-through Revenues the amount necessary to pay debt service on the 2011 CUSD TABs (and amounts necessary for the payment of debt service on other tax allocation bonds) and transfer the remaining CUSD Revenues to the CUSD. After the implementation of the Dissolution Act, the County of Imperial (the “County”) became the entity responsible for distributing the property taxes collected from within the Project Area to the taxing entities located therein, including the CUSD. Thus, under the Dissolution Act the Successor Agency does not directly receive the CUSD Pass-through Revenues needed to pay debt service on the 2011 CUSD TABs (and amounts necessary for the payment of debt service on other tax allocation bonds) and must rely on the County and the CUSD to provide the CUSD Pass-Through Revenues required to pay such debt service. Accordingly, the Successor Agency now invoices the CUSD for the applicable debt service payments.

**City of Calexico**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 19 – Subsequent Events (Continued)**

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

Pursuant to DOF’s requirements, the Successor Agency has requested authorization on its ROPS to transfer the Net Proceeds to the CUSD pursuant to the authority contained within the Antecedent Agreements (the “Request”). Subsequently, DOF denied the Request, with DOF indicating its view that the Antecedent Agreements were insufficient. Notwithstanding DOF’s denial, the Successor Agency has continued to include the release of the Net Proceeds on each of its ROPS and has advised DOF that the City, Successor Agency and CUSD concur that the Antecedent Agreements are sufficient to allow the Net Proceeds to be released to the CUSD. Notwithstanding, based on DOF’s current application of the Dissolution Act, the Successor Agency is unable to release the Net Proceeds to the CUSD.

However, due to DOF’s denial of the Request, on April 5, 2016, the CUSD advised the Successor Agency that the CUSD would no longer make debt service payments on the 2011 CUSD TABs and requested a refund of all prior debt service payments made by the CUSD on the 2011 CUSD TABs. Since that date, the CUSD has made no debt service payments, and, as a result, the Trustee for the CUSD 2011 TABs has been required to draw funds from the Reserve Account for the 2011 CUSD TABs to make the debt service payments as they come due.

There are now insufficient funds on deposit in the reserve account to make the next debt service payment due on the 2011 CUSD TABs on August 1, 2017. The Successor Agency has been working with the CUSD, the County and DOF since October 1, 2015 to resolve this issue, but to date has not been able to convince DOF to allow it to transfer the Net Proceeds to the CUSD or to get the CUSD or the County, on behalf of the CUSD, to make the required debt service payments. Although the Successor Agency intends to diligently pursue resolution of this matter, it cannot make any assurances that the issue will be resolved in time to allow for the timely payment of debt service on the 2011 CUSD TABs on or prior to August 1, 2017.

**B. CalPERS Discount Rate**

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

Valuation Date	Fiscal Year for	Discount Rate
June 30, 2016	2018-19	7.375%
June 30, 2017	2019-20	7.250%
June 30, 2018	2020-21	7.000%

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

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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**City of Calexico**  
**Required Supplementary Information (Unaudited)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Budgetary Information**

The City Council has the responsibility for adoption of the City’s budget. Budgets are adopted for governmental funds. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during each fiscal year. The City Manager is authorized to transfer budget appropriations within a General Fund department, or within a non-General Fund fund. Budget amendments to a total General Fund department budget, non-General Fund fund budget, or a capital project require City Council approval.

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

Budget accounts reported for the governmental funds of the City are adopted on a basis consistent with U.S. GAAP.

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

**City of Calexico**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2016**

**Note 1 – Budgetary Information (Continued)**

The following are the budget comparison schedules for the General Fund and the LTA Measure D major special revenue fund.

*Budget Comparison Schedules, General Fund*

	Budgeted Amounts				Actual Amounts	Variance with Final Budget
	General Fund Original	Measure H Fund Original	Original Total	Final		
<b>REVENUES:</b>						
Property taxes	\$ 2,426,000	\$ -	\$ 2,426,000	\$ 2,426,000	\$ 2,396,963	\$ (29,037)
Other taxes:						
Other taxes	5,966,000	-	5,966,000	5,966,000	5,315,870	(650,130)
Measure H sales tax	-	2,700,000	2,700,000	2,700,000	2,533,395	(166,605)
Total other taxes	<u>5,966,000</u>	<u>2,700,000</u>	<u>8,666,000</u>	<u>8,666,000</u>	<u>7,849,265</u>	<u>(816,735)</u>
Licenses, permits and fees	1,028,000	-	1,028,000	1,028,000	1,139,397	111,397
Intergovernmental	3,133,000	-	3,133,000	3,133,000	3,139,651	6,651
Charges for services	1,338,915	-	1,338,915	1,338,915	1,388,149	49,234
Fines and forfeitures	360,000	-	360,000	360,000	319,300	(40,700)
Use of money and property	238,200	-	238,200	238,200	219,959	(18,241)
Other revenues	-	-	-	-	1,477	1,477
<b>Total revenues</b>	<u>14,490,115</u>	<u>2,700,000</u>	<u>17,190,115</u>	<u>17,190,115</u>	<u>16,454,161</u>	<u>(735,954)</u>
<b>EXPENDITURES:</b>						
Current:						
General government	3,061,344	115,000	3,176,344	3,176,344	3,099,602	76,742
Public safety:						
Police	6,838,818	850,000	7,688,818	7,688,818	7,652,209	36,609
Fire	4,424,118	400,000	4,824,118	4,824,118	4,504,468	319,650
Total Public Safety	<u>11,262,936</u>	<u>1,250,000</u>	<u>12,512,936</u>	<u>12,512,936</u>	<u>12,156,677</u>	<u>356,259</u>
Public works	1,191,511	-	1,191,511	1,191,511	1,285,513	(94,002)
Culture and recreation	1,489,262	-	1,489,262	1,489,262	1,411,481	77,781
Community development	890,094	-	890,094	890,094	956,496	(66,402)
Capital outlay	-	140,138	140,138	140,138	140,033	105
Debt service:						
Principal	-	194,232	194,232	194,232	194,232	-
Interest and fiscal charges	-	10,630	10,630	10,630	10,630	-
<b>Total expenditures</b>	<u>17,895,147</u>	<u>1,710,000</u>	<u>19,605,147</u>	<u>19,605,147</u>	<u>19,254,664</u>	<u>350,483</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,405,032)</u>	<u>990,000</u>	<u>(2,415,032)</u>	<u>(2,415,032)</u>	<u>(2,800,503)</u>	<u>(385,471)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	158,694	158,694
Transfers out	-	(990,000)	(990,000)	(990,000)	(1,285,397)	(295,397)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(990,000)</u>	<u>(990,000)</u>	<u>(990,000)</u>	<u>(1,126,703)</u>	<u>(136,703)</u>
<b>Net changes in fund balance</b>	<u>(3,405,032)</u>	<u>-</u>	<u>(3,405,032)</u>	<u>(3,405,032)</u>	<u>(3,927,206)</u>	<u>\$ (522,174)</u>
<b>FUND BALANCE:</b>						
Beginning of year	52,857	-	52,857	52,857	(114,972)	(167,829)
End of year	<u>\$ (3,352,175)</u>	<u>\$ -</u>	<u>\$ (3,352,175)</u>	<u>\$ (3,352,175)</u>	<u>\$ (4,042,178)</u>	<u>\$ (690,003)</u>

**City of Calexico**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2016**

**Note 1 – Budgetary Information (Continued)**

*Budget Comparison Schedules, LTA Measure D Special Revenue Fund*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 1,200,000	\$ 1,200,000	\$ 1,205,654	\$ 5,654
Use of money and property	13,000	13,000	14,946	1,946
<b>Total revenues</b>	<b>1,213,000</b>	<b>1,213,000</b>	<b>1,220,600</b>	<b>7,600</b>
<b>EXPENDITURES:</b>				
Capital outlay	33,000	33,000	416,093	(383,093)
<b>Total expenditures</b>	<b>33,000</b>	<b>33,000</b>	<b>416,093</b>	<b>(383,093)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,180,000</b>	<b>1,180,000</b>	<b>804,507</b>	<b>(375,493)</b>
<b>Net changes in fund balance</b>	<b>\$ 1,180,000</b>	<b>\$ 1,180,000</b>	<b>804,507</b>	<b>\$ (375,493)</b>
<b>FUND BALANCE:</b>				
Beginning of year			7,584,211	
End of year			<b>\$ 8,388,718</b>	

**City of Calexico**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2016**

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

**Last Ten Fiscal Years\***  
**City Miscellaneous Plan**  
**As of June 30, 2016**

<b>Total Pension Liability</b>	<b>2014-15</b>	<b>2013-14</b>
Service cost	\$ 667,325	\$ 693,757
Interest on total pension liability	3,135,933	2,997,774
Differences between expected and actual experience	(259,080)	-
Changes in assumptions	(840,438)	-
Changes in benefit terms	-	-
Benefit payments, including refunds of employee contributions	(1,654,333)	(1,458,707)
<b>Net change in total pension liability</b>	<b>1,049,407</b>	<b>2,232,824</b>
<b>Total pension liability - beginning</b>	<b>42,585,621</b>	<b>40,352,797</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 43,635,028</b>	<b>\$ 42,585,621</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 389,771	\$ 344,145
Contributions - employee	375,172	396,410
Investment income (net of administrative expenses)	807,277	5,423,642
Benefit payments	(1,654,333)	(1,458,707)
Other	(40,762)	-
<b>Net change in plan fiduciary net position</b>	<b>(122,875)</b>	<b>4,705,490</b>
<b>Plan fiduciary net position - beginning</b>	<b>36,319,001</b>	<b>31,613,511</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 36,196,126</b>	<b>\$ 36,319,001</b>
<b>Net pension liability - ending (a)-(b)</b>	<b>\$ 7,438,902</b>	<b>\$ 6,266,620</b>
Plan fiduciary net position as a percentage of the total pension liability	82.95%	77.52%
Covered-employee payroll	\$ 6,027,068	\$ 5,851,522
Net pension liability as a percentage of covered-employee payroll	123.42%	107.09%

**Notes to Schedule:**

**Benefit changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years of Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in assumptions:** This discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

\* - Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

**City of Calexico**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2016**

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

**Last Ten Fiscal Years**

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

Measurement Period	June 30, 2015 <sup>1</sup>	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability	0.25160%	0.26449%
City's Proportionate Share of the net Pension Liability	\$ 10,367,155	\$ 9,920,642
City's Covered-Employee Payroll	\$ 5,010,706	\$ 4,864,763
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	206.90%	203.93%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	77.82%	78.13%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

**City of Calexico**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2016**

**Note 4 – Schedule of the City’s Contributions**

**Last Ten Fiscal Years\***  
**City Miscellaneous Plan**  
**As of June 30, 2016**

	<u>2015-16<sup>1</sup></u>	<u>2014-15<sup>1</sup></u>	<u>2013-14<sup>1</sup></u>
Actuarially determined contribution	\$ 438,015	\$ 389,770	\$ 344,145
Contributions in relation to the actuarially determined contributions <sup>2</sup>	(438,015)	(389,770)	(344,145)
<b>Contribution deficiency (excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll <sup>3,4</sup>	\$ 6,207,880	\$ 6,027,068	\$ 5,851,522
Contributions as a percentage of covered-employee payroll <sup>3</sup>	7.06%	6.47%	5.88%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

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

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

<sup>4</sup> Payroll from prior year (\$6,027,068) was assumed to increase by the 3.00% payroll growth assumption.

**Notes to Schedule**

Valuation date: 6/30/2014

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

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

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2012 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

\* - Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

**City of Calexico**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2016**

**Note 4 – Schedule of the City’s Contributions (Continued)**

**Last Ten Fiscal Years\***

**City Safety Plan**  
**As of June 30, 2016**

	<u>2015-16<sup>1</sup></u>	<u>2014-15<sup>1</sup></u>	<u>2013-14<sup>1</sup></u>
Actuarially determined contribution	\$ 1,385,061	\$ 1,275,182	\$ 1,305,223
Contributions in relation to the actuarially determined contributions <sup>2</sup>	(1,385,061)	(1,275,182)	(1,305,223)
<b>Contribution deficiency (excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll <sup>3,4</sup>	\$ 5,161,027	\$ 5,010,706	\$ 4,864,763
Contributions as a percentage of covered-employee payroll <sup>3</sup>	26.84%	25.45%	26.83%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

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

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

<sup>4</sup> Payroll from prior year (\$5,010,706) was assumed to increase by the 3.00% payroll growth assumption.

**Notes to Schedule**

Valuation date: 6/30/2014

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

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

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2012 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

\* - Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

**City of Calexico**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2016**

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

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



## **SUPPLEMENTARY INFORMATION**

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**NON-MAJOR GOVERNMENTAL FUNDS**

**City of Calexico**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2016**

	Special Revenue					
	Library Grant	Community Donations	Art in Public Places	Gas Tax	Traffic Safety	LTF Article 3
<b>ASSETS</b>						
Cash and investments	\$ 2,439	\$ 602	\$ 74,519	\$ 1,594,021	\$ -	\$ 336,727
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	400	-	-	-	-
Utilities	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	33,444
Due from other funds	-	180,655	-	-	-	-
<b>Total assets</b>	<b>\$ 2,439</b>	<b>\$ 181,657</b>	<b>\$ 74,519</b>	<b>\$ 1,594,021</b>	<b>\$ -</b>	<b>\$ 370,171</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 2,439	\$ 3,168	\$ -	\$ 21,913	\$ -	\$ -
Accrued payroll	-	-	-	8,111	-	-
Due to other funds	-	-	-	-	-	-
<b>Total liabilities</b>	<b>2,439</b>	<b>3,168</b>	<b>-</b>	<b>30,024</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>						
Restricted	-	178,489	74,519	1,563,997	-	370,171
Unassigned (deficit)	-	-	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>178,489</b>	<b>74,519</b>	<b>1,563,997</b>	<b>-</b>	<b>370,171</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,439</b>	<b>\$ 181,657</b>	<b>\$ 74,519</b>	<b>\$ 1,594,021</b>	<b>\$ -</b>	<b>\$ 370,171</b>

(Continued)

**City of Calexico**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2016**

	Special Revenue					
	TDA	Asset Forfeiture	Prop 172 Public Safety Sales Tax	State COPS Grant	Operation Stonegarden	Office of Emergency Services
<b>ASSETS</b>						
Cash and investments	\$ 90,191	\$ -	\$ -	\$ -	\$ -	\$ 12,305
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Intergovernmental	42,580	-	159,486	129,177	-	-
Due from other funds	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 132,771</b>	<b>\$ -</b>	<b>\$ 159,486</b>	<b>\$ 129,177</b>	<b>\$ -</b>	<b>\$ 12,305</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	-	159,486	129,177	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>159,486</b>	<b>129,177</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>						
Restricted	132,771	-	-	-	-	12,305
Unassigned (deficit)	-	-	-	-	-	-
<b>Total fund balances</b>	<b>132,771</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,305</b>
<b>Total liabilities and fund balances</b>	<b>\$ 132,771</b>	<b>\$ -</b>	<b>\$ 159,486</b>	<b>\$ 129,177</b>	<b>\$ -</b>	<b>\$ 12,305</b>

(Continued)

**City of Calexico**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2016**

	Special Revenue					Federal HOME Grant Fund
	FEMA Grant	IVECA	General Plan Update	Solid Waste	Business Improvement District	
<b>ASSETS</b>						
Cash and investments	\$ -	\$ -	\$ 8,083	\$ 192,668	\$ 51,984	\$ 1,518
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	286,227	-	1,037
Utilities	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	506,301
Due from other funds	-	-	-	508,020	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,083</b>	<b>\$ 986,915</b>	<b>\$ 51,984</b>	<b>\$ 508,856</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 423,366	\$ 85	\$ 455,080
Accrued payroll	-	-	-	1,026	-	-
Due to other funds	-	-	-	-	-	51,301
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>424,392</b>	<b>85</b>	<b>506,381</b>
<b>Fund Balances:</b>						
Restricted	-	-	8,083	562,523	51,899	2,475
Unassigned (deficit)	-	-	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>8,083</b>	<b>562,523</b>	<b>51,899</b>	<b>2,475</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,083</b>	<b>\$ 986,915</b>	<b>\$ 51,984</b>	<b>\$ 508,856</b>

(Continued)

**City of Calexico**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2016**

	Special Revenue					Debt Service
	Successor Housing	State CalHOME Grant	Federal CDBG Grant	Sustainable Community Planning Grant	Local Housing Programs	Measure H Debt Service
<b>ASSETS</b>						
Cash and investments	\$ 1,609,078	\$ -	\$ 647,979	\$ -	\$ 8,886	\$ -
Cash and investments with fiscal agents	-	-	-	-	-	998,508
Receivables:						
Accounts	703	-	10,871	-	6,164	-
Utilities	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Due from other funds	939,152	-	-	-	-	-
<b>Total assets</b>	<b>\$ 2,548,933</b>	<b>\$ -</b>	<b>\$ 658,850</b>	<b>\$ -</b>	<b>\$ 15,050</b>	<b>\$ 998,508</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 42	\$ -	\$ 8,886	\$ -
Accrued payroll	-	-	-	-	13,187	-
Due to other funds	-	887,850	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>887,850</b>	<b>42</b>	<b>-</b>	<b>22,073</b>	<b>-</b>
<b>Fund Balances:</b>						
Restricted	2,548,933	-	658,808	-	-	998,508
Unassigned (deficit)	-	(887,850)	-	-	(7,023)	-
<b>Total fund balances</b>	<b>2,548,933</b>	<b>(887,850)</b>	<b>658,808</b>	<b>-</b>	<b>(7,023)</b>	<b>998,508</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,548,933</b>	<b>\$ -</b>	<b>\$ 658,850</b>	<b>\$ -</b>	<b>\$ 15,050</b>	<b>\$ 998,508</b>

(Continued)

**City of Calexico**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2016**

	Debt Service		Capital Projects			
	Measure D Debt Service	General Capital Projects	Capital Grants	DIF - Libraries	DIF - Parks/ Recreation	DIF - Parking
<b>ASSETS</b>						
Cash and investments	\$ -	\$ 2,365,768	\$ -	\$ 137,429	\$ 467,355	\$ 4,000
Cash and investments with fiscal agents	1,933,483	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Intergovernmental	-	-	907,098	-	-	-
Due from other funds	-	-	-	-	-	247,275
<b>Total assets</b>	<u>\$ 1,933,483</u>	<u>\$ 2,365,768</u>	<u>\$ 907,098</u>	<u>\$ 137,429</u>	<u>\$ 467,355</u>	<u>\$ 251,275</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 229,582	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	-	677,516	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>907,098</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>						
Restricted	1,933,483	2,365,768	-	137,429	467,355	251,275
Unassigned (deficit)	-	-	-	-	-	-
<b>Total fund balances</b>	<u>1,933,483</u>	<u>2,365,768</u>	<u>-</u>	<u>137,429</u>	<u>467,355</u>	<u>251,275</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,933,483</u>	<u>\$ 2,365,768</u>	<u>\$ 907,098</u>	<u>\$ 137,429</u>	<u>\$ 467,355</u>	<u>\$ 251,275</u>

(Continued)



**City of Calexico**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2016**

	Capital Projects					
	DIF - General Government	DIF - Traffic	DIF - Police	DIF - Fire	Cole Road Improvements	Northwest Area Development
<b>ASSETS</b>						
Cash and investments	\$ 260,159	\$ 31,292	\$ 15,088	\$ -	\$ 1,509,581	\$ 515,855
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Due from other funds	49,373	1,588,427	159,486	-	-	-
<b>Total assets</b>	<b>\$ 309,532</b>	<b>\$ 1,619,719</b>	<b>\$ 174,574</b>	<b>\$ -</b>	<b>\$ 1,509,581</b>	<b>\$ 515,855</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	-	-	247,275	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>247,275</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>						
Restricted	309,532	1,619,719	174,574	-	1,509,581	515,855
Unassigned (deficit)	-	-	-	(247,275)	-	-
<b>Total fund balances</b>	<b>309,532</b>	<b>1,619,719</b>	<b>174,574</b>	<b>(247,275)</b>	<b>1,509,581</b>	<b>515,855</b>
<b>Total liabilities and fund balances</b>	<b>\$ 309,532</b>	<b>\$ 1,619,719</b>	<b>\$ 174,574</b>	<b>\$ -</b>	<b>\$ 1,509,581</b>	<b>\$ 515,855</b>

(Continued)

**City of Calexico**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2016**

	Capital Projects					Other Governmental Funds
	East Area Facilities Plan	Corsair, LLC	Mega Park	New River Grants	Hearthstone	
<b>ASSETS</b>						
Cash and investments	\$ 888,000	\$ -	\$ -	\$ 32,523	\$ 1,001,279	\$11,859,329
Cash and investments with fiscal agents	-	-	-	-	-	2,931,991
Receivables:						
Accounts	-	397,896	7,955	-	-	711,253
Utilities	-	-	-	-	-	-
Intergovernmental	-	-	-	69,646	-	1,847,732
Due from other funds	-	-	-	-	-	3,672,388
<b>Total assets</b>	<b>\$ 888,000</b>	<b>\$ 397,896</b>	<b>\$ 7,955</b>	<b>\$ 102,169</b>	<b>\$ 1,001,279</b>	<b>\$21,022,693</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,144,561
Accrued payroll	-	-	-	-	-	22,324
Due to other funds	-	397,896	7,955	102,169	-	2,660,625
<b>Total liabilities</b>	<b>-</b>	<b>397,896</b>	<b>7,955</b>	<b>102,169</b>	<b>-</b>	<b>3,827,510</b>
<b>Fund Balances:</b>						
Restricted	888,000	-	-	-	1,001,279	18,337,331
Unassigned (deficit)	-	-	-	-	-	(1,142,148)
<b>Total fund balances</b>	<b>888,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,001,279</b>	<b>17,195,183</b>
<b>Total liabilities and fund balances</b>	<b>\$ 888,000</b>	<b>\$ 397,896</b>	<b>\$ 7,955</b>	<b>\$ 102,169</b>	<b>\$ 1,001,279</b>	<b>\$21,022,693</b>

(Concluded)

**City of Calexico**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue					
	Library Grant	Community Donations	Art in Public Places	Gas Tax	Traffic Safety	LTF Article 3
<b>REVENUES:</b>						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	60,692	-	-	867,945	-	33,444
Charges for services	-	-	8,460	-	-	-
Use of money and property	-	-	-	2,637	-	-
Other revenues	21	63,200	-	-	-	-
<b>Total revenues</b>	<b>60,713</b>	<b>63,200</b>	<b>8,460</b>	<b>870,582</b>	<b>-</b>	<b>33,444</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	692	-
Public works	-	-	-	950,665	-	-
Culture and recreation	70,414	12,387	500	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>70,414</b>	<b>12,387</b>	<b>500</b>	<b>950,665</b>	<b>692</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(9,701)</b>	<b>50,813</b>	<b>7,960</b>	<b>(80,083)</b>	<b>(692)</b>	<b>33,444</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(158,694)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(158,694)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(168,395)</b>	<b>50,813</b>	<b>7,960</b>	<b>(80,083)</b>	<b>(692)</b>	<b>33,444</b>
<b>FUND BALANCES:</b>						
Beginning of year, as restated (Note 17)	168,395	127,676	66,559	1,644,080	692	336,727
End of year	\$ -	\$ 178,489	\$ 74,519	\$ 1,563,997	\$ -	\$ 370,171

(Continued)

**City of Calexico**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue					Office of Emergency Services
	TDA	Asset Forfeiture	Prop 172 Public Safety Sales Tax	State COPS Grant	Operation Stonegarden	
<b>REVENUES:</b>						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	42,580	293,271	159,486	129,177	31,870	-
Charges for services	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-
<b>Total revenues</b>	<b>42,580</b>	<b>293,271</b>	<b>159,486</b>	<b>129,177</b>	<b>31,870</b>	<b>-</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	239,613	159,486	129,177	31,870	-
Public works	436	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	8,881	561,991	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>9,317</b>	<b>801,604</b>	<b>159,486</b>	<b>129,177</b>	<b>31,870</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>33,263</b>	<b>(508,333)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>33,263</b>	<b>(508,333)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>						
Beginning of year, as restated (Note 17)	99,508	508,333	-	-	-	12,305
End of year	\$ 132,771	\$ -	\$ -	\$ -	\$ -	\$ 12,305

(Continued)

**City of Calexico**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue					Federal HOME Grant Fund
	FEMA Grant	IVECA	General Plan Update	Solid Waste	Business Improvement District	
<b>REVENUES:</b>						
Other taxes	\$ -	\$ 82,267	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	37,715	586,499
Charges for services	-	-	-	1,832,104	460	-
Use of money and property	-	-	-	445	-	-
Other revenues	-	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>82,267</b>	<b>-</b>	<b>1,832,549</b>	<b>38,175</b>	<b>586,499</b>
<b>EXPENDITURES:</b>						
Current:						
General government	75,350	-	-	-	30,482	-
Public safety	-	82,267	-	-	-	-
Public works	-	-	-	1,874,068	-	-
Culture and recreation	-	-	-	-	-	-
Housing	-	-	-	-	-	367,376
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>75,350</b>	<b>82,267</b>	<b>-</b>	<b>1,874,068</b>	<b>30,482</b>	<b>367,376</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(75,350)</b>	<b>-</b>	<b>-</b>	<b>(41,519)</b>	<b>7,693</b>	<b>219,123</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(75,350)</b>	<b>-</b>	<b>-</b>	<b>(41,519)</b>	<b>7,693</b>	<b>219,123</b>
<b>FUND BALANCES:</b>						
Beginning of year, as restated (Note 17)	75,350	-	8,083	604,042	44,206	(216,648)
End of year	\$ -	\$ -	\$ 8,083	\$ 562,523	\$ 51,899	\$ 2,475

(Continued)

**City of Calexico**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue					Debt Service
	Successor Housing	State CalHOME Grant	Federal CDBG Grant	Sustainable Community Planning Grant	Local Housing Programs	Measure H Debt Service
<b>REVENUES:</b>						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	9,924	-	144,121	87,462	61,105	-
Charges for services	-	-	-	-	-	-
Use of money and property	6,065	-	-	29	181	559
Other revenues	-	-	-	-	-	-
<b>Total revenues</b>	<b>15,989</b>	<b>-</b>	<b>144,121</b>	<b>87,491</b>	<b>61,286</b>	<b>559</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	80,364	-	2,000
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing	200,548	-	5,827	-	743,080	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	525,000
Interest and fiscal charges	-	-	-	-	-	468,750
<b>Total expenditures</b>	<b>200,548</b>	<b>-</b>	<b>5,827</b>	<b>80,364</b>	<b>743,080</b>	<b>995,750</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(184,559)</b>	<b>-</b>	<b>138,294</b>	<b>7,127</b>	<b>(681,794)</b>	<b>(995,191)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	196,300	67	-	880,808	974,023
Transfers out	(792,156)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(792,156)</b>	<b>196,300</b>	<b>67</b>	<b>-</b>	<b>880,808</b>	<b>974,023</b>
<b>Net change in fund balances</b>	<b>(976,715)</b>	<b>196,300</b>	<b>138,361</b>	<b>7,127</b>	<b>199,014</b>	<b>(21,168)</b>
<b>FUND BALANCES:</b>						
Beginning of year, as restated (Note 17)	3,525,648	(1,084,150)	520,447	(7,127)	(206,037)	1,019,676
End of year	<u>\$ 2,548,933</u>	<u>\$ (887,850)</u>	<u>\$ 658,808</u>	<u>\$ -</u>	<u>\$ (7,023)</u>	<u>\$ 998,508</u>

(Continued)

**City of Calexico**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2016**

	Debt Service		Capital Projects			
	Measure D Debt Service	General Capital Projects	Capital Grants	DIF - Libraries	DIF - Parks/ Recreation	DIF - Parking
<b>REVENUES:</b>						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,347,222	2,365,768	1,340,331	-	-	-
Charges for services	-	-	-	766	3,279	-
Use of money and property	6,309	-	-	235	800	431
Other revenues	-	-	-	-	-	-
<b>Total revenues</b>	<b>1,353,531</b>	<b>2,365,768</b>	<b>1,340,331</b>	<b>1,001</b>	<b>4,079</b>	<b>431</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	1,300,877	-	-	-
Debt service:						
Principal	590,000	-	-	-	-	-
Interest and fiscal charges	538,350	-	-	-	-	-
<b>Total expenditures</b>	<b>1,128,350</b>	<b>-</b>	<b>1,300,877</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>225,181</b>	<b>2,365,768</b>	<b>39,454</b>	<b>1,001</b>	<b>4,079</b>	<b>431</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>225,181</b>	<b>2,365,768</b>	<b>39,454</b>	<b>1,001</b>	<b>4,079</b>	<b>431</b>
<b>FUND BALANCES:</b>						
Beginning of year, as restated (Note 17)	1,708,302	-	(39,454)	136,428	463,276	250,844
End of year	\$ 1,933,483	\$ 2,365,768	\$ -	\$ 137,429	\$ 467,355	\$ 251,275

(Continued)

**City of Calexico**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2016**

	Capital Projects					
	DIF - General Government	DIF - Traffic	DIF - Police	DIF - Fire	Cole Road Improvements	Northwest Area Development
<b>REVENUES:</b>						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	1,356	3,324	2,029	2,112	-	-
Use of money and property	530	2,774	263	-	2,586	868
Other revenues	-	-	-	-	-	-
<b>Total revenues</b>	<b>1,886</b>	<b>6,098</b>	<b>2,292</b>	<b>2,112</b>	<b>2,586</b>	<b>868</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,886</b>	<b>6,098</b>	<b>2,292</b>	<b>2,112</b>	<b>2,586</b>	<b>868</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,886</b>	<b>6,098</b>	<b>2,292</b>	<b>2,112</b>	<b>2,586</b>	<b>868</b>
<b>FUND BALANCES:</b>						
Beginning of year, as restated (Note 17)	307,646	1,613,621	172,282	(249,387)	1,506,995	514,987
End of year	<u>\$ 309,532</u>	<u>\$ 1,619,719</u>	<u>\$ 174,574</u>	<u>\$ (247,275)</u>	<u>\$ 1,509,581</u>	<u>\$ 515,855</u>

(Continued)



**City of Calexico**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2016**

	Capital Projects					Other Governmental Funds
	East Area Facilities Plan	Corsair, LLC	Mega Park	New River Grants	Hearthstone Improvements	
<b>REVENUES:</b>						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,267
Intergovernmental	-	-	-	182,720	-	7,781,332
Charges for services	-	276,422	5,584	-	-	2,135,896
Use of money and property	1,521	-	-	-	1,279	27,512
Other revenues	-	-	-	-	1,000,000	1,063,221
<b>Total revenues</b>	<b>1,521</b>	<b>276,422</b>	<b>5,584</b>	<b>182,720</b>	<b>1,001,279</b>	<b>11,090,228</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	188,196
Public safety	-	-	-	-	-	643,105
Public works	-	-	-	-	-	2,825,169
Culture and recreation	-	-	-	-	-	83,301
Housing	-	-	-	-	-	1,316,831
Capital outlay	-	-	-	269,983	-	2,141,732
Debt service:						
Principal	-	-	-	-	-	1,115,000
Interest and fiscal charges	-	-	-	-	-	1,007,100
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>269,983</b>	<b>-</b>	<b>9,320,434</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,521</b>	<b>276,422</b>	<b>5,584</b>	<b>(87,263)</b>	<b>1,001,279</b>	<b>1,769,794</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	26,355	-	2,077,553
Transfers out	-	-	-	-	-	(950,850)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,355</b>	<b>-</b>	<b>1,126,703</b>
<b>Net change in fund balances</b>	<b>1,521</b>	<b>276,422</b>	<b>5,584</b>	<b>(60,908)</b>	<b>1,001,279</b>	<b>2,896,497</b>
<b>FUND BALANCES:</b>						
Beginning of year, as restated (Note 17)	886,479	(276,422)	(5,584)	60,908	-	14,298,686
End of year	<u>\$ 888,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,001,279</u>	<u>\$ 17,195,183</u>

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## **INTERNAL SERVICE FUNDS**

**City of Calexico**  
**Statement of Net Position**  
**All Internal Service Funds**  
**June 30, 2016**

	Payroll	Medical Active	Medical Retirees	Workers' Compensation
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and investments	\$ -	\$ 5,654	\$ 26,758	\$ 21,412
Accounts receivable, net	-	3,413	333	-
Intergovernmental receivable	50,311	-	-	34,315
Due from other funds	-	136,182	21,750	-
Deposits	-	-	-	125,000
<b>Total current assets</b>	<u>50,311</u>	<u>145,249</u>	<u>48,841</u>	<u>180,727</u>
<b>Total assets</b>	<u>50,311</u>	<u>145,249</u>	<u>48,841</u>	<u>180,727</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	-	145,200	48,760	4,575
Due to other funds	50,311	-	-	-
Claims payable - due within one year	-	-	-	427,563
<b>Total current liabilities</b>	<u>50,311</u>	<u>145,200</u>	<u>48,760</u>	<u>432,138</u>
<b>Noncurrent liabilities:</b>				
Claims payable - due in more than one year	-	-	-	922,320
<b>Total noncurrent liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>922,320</u>
<b>Total liabilities</b>	<u>50,311</u>	<u>145,200</u>	<u>48,760</u>	<u>1,354,458</u>
<b>NET POSITION</b>				
Unrestricted (deficit)	-	49	81	(1,173,731)
<b>Total net position</b>	<u>\$ -</u>	<u>\$ 49</u>	<u>\$ 81</u>	<u>\$ (1,173,731)</u>

**City of Calexico**  
**Statement of Net Position (Continued)**  
**All Internal Service Funds**  
**June 30, 2016**

	General Liability	Unemployment Insurance	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 64,296	\$ 2,106	\$ 120,226
Accounts receivable, net	-	-	3,746
Intergovernmental receivable	-	-	84,626
Due from other funds	-	-	157,932
Deposits	50,000	-	175,000
<b>Total current assets</b>	<b>114,296</b>	<b>2,106</b>	<b>541,530</b>
<b>Total assets</b>	<b>114,296</b>	<b>2,106</b>	<b>541,530</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	5,000	-	203,535
Due to other funds	107,621	-	157,932
Claims payable - due within one year	587,790	-	1,015,353
<b>Total current liabilities</b>	<b>700,411</b>	<b>-</b>	<b>1,376,820</b>
<b>Noncurrent liabilities:</b>			
Claims payable - due in more than one year	924,621	-	1,846,941
<b>Total noncurrent liabilities</b>	<b>924,621</b>	<b>-</b>	<b>1,846,941</b>
<b>Total liabilities</b>	<b>1,625,032</b>	<b>-</b>	<b>3,223,761</b>
<b>NET POSITION</b>			
Unrestricted (deficit)	(1,510,736)	2,106	(2,682,231)
<b>Total net position</b>	<b>\$ (1,510,736)</b>	<b>\$ 2,106</b>	<b>\$ (2,682,231)</b>

**City of Calexico**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Payroll	Medical Active	Medical Retirees	Workers' Compensation
<b>OPERATING REVENUES:</b>				
Charges for services	\$ -	\$ 2,637,969	\$ 491,880	\$ 1,967,485
<b>Total operating revenues</b>	<u>-</u>	<u>2,637,969</u>	<u>491,880</u>	<u>1,967,485</u>
<b>OPERATING EXPENSES:</b>				
Material, supplies, and operational expenses	-	608,745	128,406	-
Insurance and administration	-	-	-	2,827,152
Claims	-	1,843,875	450,693	197,345
<b>Total operating expenses</b>	<u>-</u>	<u>2,452,620</u>	<u>579,099</u>	<u>3,024,497</u>
<b>OPERATING INCOME (LOSS)</b>	<u>-</u>	<u>185,349</u>	<u>(87,219)</u>	<u>(1,057,012)</u>
<b>NET INCOME (LOSS)</b>	<u>-</u>	<u>185,349</u>	<u>(87,219)</u>	<u>(1,057,012)</u>
<b>TRANSFERS:</b>				
Transfers in	-	-	87,300	98,000
Transfers out	-	(185,300)	-	-
<b>Total transfers</b>	<u>-</u>	<u>(185,300)</u>	<u>87,300</u>	<u>98,000</u>
<b>Changes in net position</b>	-	49	81	(959,012)
<b>NET POSITION:</b>				
Beginning of year, as restated (Note 17)	-	-	-	(214,719)
End of year	<u>\$ -</u>	<u>\$ 49</u>	<u>\$ 81</u>	<u>\$ (1,173,731)</u>

**City of Calexico**  
**Statement of Revenues, Expenses, and Changes in Net Position (Continued)**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2016**

	General Liability	Unemployment Insurance	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 1,985,821	\$ 54,838	\$ 7,137,993
<b>Total operating revenues</b>	<b>1,985,821</b>	<b>54,838</b>	<b>7,137,993</b>
<b>OPERATING EXPENSES:</b>			
Material, supplies, and operational expenses	-	-	737,151
Insurance and administration	355,439	-	3,182,591
Claims	538,811	52,732	3,083,456
<b>Total operating expenses</b>	<b>894,250</b>	<b>52,732</b>	<b>7,003,198</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,091,571</b>	<b>2,106</b>	<b>134,795</b>
<b>NET INCOME (LOSS)</b>	<b>1,091,571</b>	<b>2,106</b>	<b>134,795</b>
<b>TRANSFERS:</b>			
Transfers in	-	-	185,300
Transfers out	-	-	(185,300)
<b>Total transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in net position</b>	<b>1,091,571</b>	<b>2,106</b>	<b>134,795</b>
<b>NET POSITION:</b>			
Beginning of year, as restated (Note 17)	(2,602,307)	-	(2,817,026)
End of year	<b>\$ (1,510,736)</b>	<b>\$ 2,106</b>	<b>\$ (2,682,231)</b>

**City of Calexico**  
**Statement of Cash Flows**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Payroll	Medical Active	Medical Retirees	Workers Compensation
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from users	\$ 22,958	\$ 2,634,556	\$ 491,547	\$ 1,967,485
Cash payments to suppliers for goods and services	(153,114)	(463,545)	(79,646)	(120,425)
Cash payments for claims and insurance	-	(1,843,875)	(450,693)	(1,889,333)
<b>Net cash provided by (used in) operating activities</b>	<u>(130,156)</u>	<u>327,136</u>	<u>(38,792)</u>	<u>(42,273)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Intergovernmental revenue	(50,311)	-	-	(34,315)
Short-term interfund borrowing (lending)	50,311	(136,182)	(21,750)	-
Transfers in	-	-	87,300	98,000
Transfers out	-	(185,300)	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>-</u>	<u>(321,482)</u>	<u>65,550</u>	<u>63,685</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(130,156)	5,654	26,758	21,412
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	130,156	-	-	-
End of year	<u>\$ -</u>	<u>\$ 5,654</u>	<u>\$ 26,758</u>	<u>\$ 21,412</u>
<b>RECONCILIATION OF CASH AND INVESTMENTS TO STATEMENT OF NET POSITION:</b>				
Cash and investments	<u>\$ -</u>	<u>\$ 5,654</u>	<u>\$ 26,758</u>	<u>\$ 21,412</u>
<b>Total cash and investments</b>	<u>\$ -</u>	<u>\$ 5,654</u>	<u>\$ 26,758</u>	<u>\$ 21,412</u>



**City of Calexico**  
**Statement of Cash Flows (Continued)**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2016**

	<u>Payroll</u>	<u>Medical Active</u>	<u>Medical Retirees</u>	<u>Workers Compensation</u>
<b>RECONCILIATION OF OPERATING INCOME</b>				
<b>(LOSS) TO NET CASH PROVIDED</b>				
<b>BY (USED IN) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ -	\$ 185,349	\$ (87,219)	\$ (1,057,012)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in operating assets and liabilities:				
Accounts receivable	22,958	(3,413)	(333)	-
Deposits	-	-	-	(125,000)
Accounts payable	(153,114)	145,200	48,760	4,575
Claims payable	-	-	-	1,135,164
Total adjustments	<u>(130,156)</u>	<u>141,787</u>	<u>48,427</u>	<u>1,014,739</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (130,156)</u>	<u>\$ 327,136</u>	<u>\$ (38,792)</u>	<u>\$ (42,273)</u>

**City of Calexico**  
**Statement of Cash Flows (Continued)**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2016**

	General Liability	Unemployment Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from users	\$ 1,985,821	\$ 54,838	\$ 7,157,205
Cash payments to suppliers for goods and services	(45,000)	-	(861,730)
Cash payments for claims and insurance	(1,984,146)	(52,732)	(6,220,779)
<b>Net cash provided by (used in) operating activities</b>	<u>(43,325)</u>	<u>2,106</u>	<u>74,696</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Intergovernmental revenue	-	-	(84,626)
Short-term interfund borrowing (lending)	107,621	-	-
Transfers in	-	-	185,300
Transfers out	-	-	(185,300)
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>107,621</u>	<u>-</u>	<u>(84,626)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	64,296	2,106	(9,930)
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	-	-	130,156
End of year	<u>\$ 64,296</u>	<u>\$ 2,106</u>	<u>\$ 120,226</u>
<b>RECONCILIATION OF CASH AND INVESTMENTS TO STATEMENT OF NET POSITION:</b>			
Cash and investments	<u>\$ 64,296</u>	<u>\$ 2,106</u>	<u>\$ 120,226</u>
<b>Total cash and investments</b>	<u>\$ 64,296</u>	<u>\$ 2,106</u>	<u>\$ 120,226</u>

**City of Calexico**  
**Statement of Cash Flows (Continued)**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2016**

	<u>General Liability</u>	<u>Unemployment Insurance</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 1,091,571	\$ 2,106	\$ 134,795
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Changes in operating assets and liabilities:			
Accounts receivable	-	-	19,212
Deposits	(50,000)	-	(175,000)
Accounts payable	5,000	-	50,421
Claims payable	(1,089,896)	-	45,268
Total adjustments	<u>(1,134,896)</u>	<u>-</u>	<u>(60,099)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (43,325)</u>	<u>\$ 2,106</u>	<u>\$ 74,696</u>

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**ALL AGENCY FUNDS**

**City of Calexico**  
**Combining Statement of Fiduciary Net Position**  
**All Agency Funds**  
**June 30, 2016**

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	Corsair 2013-1 Gran Plaza CFD	Bravo Victoria/Eastside Village Assessment CFD	Towncenter CFD	RDIP AD 90-1
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 463,530	\$ 11,099	\$ 48,497
Cash and investments with fiscal agents	957,489	-	-	-
Accounts receivable	-	-	-	5,554
<b>Total assets</b>	<b>\$ 957,489</b>	<b>\$ 463,530</b>	<b>\$ 11,099</b>	<b>\$ 54,051</b>
<b>LIABILITIES</b>				
Due to bondholders	\$ 957,489	\$ 462,011	\$ 11,099	\$ 54,051
<b>Total liabilities</b>	<b>\$ 957,489</b>	<b>\$ 463,530</b>	<b>\$ 11,099</b>	<b>\$ 54,051</b>

(Continued)

**City of Calexico**  
**Combining Statement of Fiduciary Net Position (Continued)**  
**All Agency Funds**  
**June 30, 2016**

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	C.C.E.Z.	Hearthstone 2005-1 CFD	Venezia CFD	Total Agency Funds
<b>ASSETS</b>				
Cash and investments	\$ 33,639	\$ -	\$ 21,199	\$ 577,964
Cash and investments with fiscal agents	-	1,446,412	-	2,403,901
Accounts receivable	-	-	-	5,554
<b>Total assets</b>	<b>\$ 33,639</b>	<b>\$ 1,446,412</b>	<b>\$ 21,199</b>	<b>\$ 2,987,419</b>
<b>LIABILITIES</b>				
Due to bondholders	\$ 33,639	\$ 1,437,756	\$ 21,199	\$ 2,977,244
<b>Total liabilities</b>	<b>\$ 33,639</b>	<b>\$ 1,446,412</b>	<b>\$ 21,199</b>	<b>\$ 2,987,419</b>

(Concluded)