

City of Calexico
Required Supplementary Information (Unaudited) (Continued)
Schedule of Changes in the Net Pension Liability and Related Ratios (Continued)
Last Ten Years
For the Year Ended June 30, 2018

City Miscellaneous Plan

Total Pension Liability	6/30/2015*	6/30/2014*
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)
Net change in total pension liability	1,049,407	2,232,824
Total pension liability - beginning	42,585,621	40,352,797
Total pension liability - ending (a)	\$ 43,635,028	\$ 42,585,621
Plan fiduciary net position		
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)	-
Net change in plan fiduciary net position	(122,875)	4,705,490
Plan fiduciary net position - beginning	36,319,001	31,613,511
Plan fiduciary net position - ending (b)	\$ 36,196,126	\$ 36,319,001
Net pension liability - ending (a)-(b)	\$ 7,438,902	\$ 6,266,620
Plan fiduciary net position as a percentage of the total pension liability	82.95%	77.52%
Covered-employee payroll	\$ 5,315,723	\$ 5,851,522
Net pension liability as a percentage of covered-employee payroll	139.94%	107.09%

Notes to Schedule:

* - The Miscellaneous Plans transitioned from an Agent plan to Cost-Sharing plan at Measurement Date (6/30/2016), therefore only two years are shown.

City of Calexico
Required Supplementary Information (Unaudited) (Continued)
Schedule of Contributions
Last Ten Years
For the Year Ended June 30, 2018

Miscellaneous Plan

Fiscal year	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Contractually determined contribution (actuarially determined)	\$ 687,419	\$ 467,363	\$ 438,015	\$ 389,770	\$ 344,145
Contributions in relation to the actuarially determined contributions ²	(687,419)	(467,363)	(438,015)	(389,770)	(344,145)
Contribution deficiency (excess)	\$ -				
Covered-employee payroll	\$ 5,280,506	\$ 5,126,704	\$ 4,977,383	\$ 5,315,723	\$ 5,851,522
Contributions as a percentage of covered-employee payroll	13.02%	9.12%	8.80%	7.33%	5.88%

¹ Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to
Notes to Schedule

Valuation date: 6/30/2016

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2014 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2011 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.

City of Calxico
Required Supplementary Information (Unaudited) (Continued)
Schedule of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2018

Fiscal year	Safety Plan				
	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Contractually determined contribution (actuarially determined)	\$ 1,523,035	\$ 1,466,631	\$ 1,385,061	\$ 1,275,182	\$ 1,305,223
Contributions in relation to the actuarially determined contribution	(1,523,035)	(1,466,631)	(1,385,061)	(1,275,182)	(1,305,223)
Contribution deficiency (excess)	\$ -				
Covered-employee payroll	\$ 4,176,781	\$ 4,055,128	\$ 3,937,017	\$ 4,423,592	\$ 4,864,763
Contributions as a percentage of covered-employee payroll ³	36.46%	36.17%	35.18%	28.83%	26.83%

¹ Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose

Notes to Schedule

Valuation date: 6/30/2016

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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.

City of Calexico
Required Supplementary Information (Unaudited) (Continued)
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Years
For the Year Ended June 30, 2018

Measurement period, year ending:	6/30/2018 ¹
Total OPEB liability	
Service cost	\$ 515,161
Interest	1,060,772
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(472,245)
Benefit payments, including refunds of member contributions	(781,907)
Net change in total OPEB liability	321,781
Total OPEB liability - beginning	31,074,965
Total OPEB liability - ending (a)	\$ 31,396,746
OPEB fiduciary net position	
Contributions - employer	\$ 781,907
Net investment income	-
Benefit payments, including refunds of member contributions	(781,907)
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	-
Plan net OPEB liability - ending (a) - (b)	\$ 31,396,746
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered-employee payroll	\$ 9,457,287
Plan net OPEB liability as a percentage of covered-employee payroll	164.24%

¹ Ten year historical information is not available.

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

City of Calexico
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

	Special Revenue					
	Library Grant	Community Donations	Art in Public Places	Cannabis Permits	El Portal	Gas Tax
ASSETS						
Cash and investments	\$ 700	\$ -	\$ 58,924	\$ 28,268	\$ 8,998	\$ 1,687,935
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	8,203	51,152	-
Intergovernmental	-	-	-	-	-	-
Due from other funds	-	145,884	21,640	-	-	-
Total assets	<u>\$ 700</u>	<u>\$ 145,884</u>	<u>\$ 80,564</u>	<u>\$ 36,471</u>	<u>\$ 60,150</u>	<u>\$ 1,687,935</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 700	\$ 12,647	\$ 3,136	\$ 29,047	\$ 60,150	\$ 62,053
Accrued payroll	-	-	-	-	-	7,429
Due to other funds	-	-	-	-	-	-
Deposits payable	-	-	-	7,424	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	<u>700</u>	<u>12,647</u>	<u>3,136</u>	<u>36,471</u>	<u>60,150</u>	<u>69,482</u>
Fund Balances:						
Restricted	-	133,237	77,428	-	-	1,618,453
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>133,237</u>	<u>77,428</u>	<u>-</u>	<u>-</u>	<u>1,618,453</u>
Total liabilities and fund balances	<u>\$ 700</u>	<u>\$ 145,884</u>	<u>\$ 80,564</u>	<u>\$ 36,471</u>	<u>\$ 60,150</u>	<u>\$ 1,687,935</u>

(Continued)

City of Calexico
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

	Special Revenue					
	Road Maintenance Rehabilitation	LTF Article 3	TDA	Asset Forfeiture	Prop 172 Public Safety Sales Tax	State COPS Grant
ASSETS						
Cash and investments	\$ 154,826	\$ 375,690	\$ 107,818	\$ -	\$ -	\$ -
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Intergovernmental	86,732	-	-	-	140,000	193,771
Due from other funds	-	-	-	-	-	-
Total assets	\$ 241,558	\$ 375,690	\$ 107,818	\$ -	\$ 140,000	\$ 193,771
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 354	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	-	-	-	140,000	193,771
Deposits payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	-	-	354	-	140,000	193,771
Fund Balances:						
Restricted	241,558	375,690	107,464	-	-	-
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances	241,558	375,690	107,464	-	-	-
Total liabilities and fund balances	\$ 241,558	\$ 375,690	\$ 107,818	\$ -	\$ 140,000	\$ 193,771

(Continued)

City of Calexico
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

	Special Revenue					
	Operation Stonegarden	Bravo-Victoria Eastside Village Assessment	Other Operating Grants	IVECA	General Plan Update	
ASSETS						
Cash and investments	\$ -	\$ 781,738	\$ -	\$ -	\$ 8,206	\$ 11,485
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	15,274	-	-
Intergovernmental	19,576	59,873	-	-	-	10,437
Due from other funds	-	-	-	-	-	901,520
Total assets	\$ 19,576	\$ 841,611	\$ -	\$ 15,274	\$ 8,206	\$ 923,442
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ 47,139	\$ -	\$ -	\$ -	\$ 285,750
Accrued payroll	-	-	-	-	-	-
Due to other funds	19,576	-	-	15,274	-	-
Deposits payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	19,576	47,139	-	15,274	-	285,750
Fund Balances:						
Restricted	-	794,472	-	-	8,206	637,692
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances	-	794,472	-	-	8,206	637,692
Total liabilities and fund balances	\$ 19,576	\$ 841,611	\$ -	\$ 15,274	\$ 8,206	\$ 923,442

(Continued)

City of Calexico
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

	Special Revenue					
	Business Improvement District	Federal HOME Grant Fund	Successor Housing	State CalHOME Grant	Federal CDBG Grant	Local Housing Programs
ASSETS						
Cash and investments	\$ 67,102	\$ 487,388	\$ 1,944,356	\$ 12,854	\$ 1,858,569	\$ -
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	277	200	-	5,379	2,385
Intergovernmental	-	-	-	-	-	-
Due from other funds	-	-	6,391	-	-	-
Total assets	<u>\$ 67,102</u>	<u>\$ 487,665</u>	<u>\$ 1,950,947</u>	<u>\$ 12,854</u>	<u>\$ 1,863,948</u>	<u>\$ 2,385</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ 6,309	\$ -	\$ -	\$ 18,919	\$ 26,453
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	28,031
Deposits payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>6,309</u>	<u>-</u>	<u>-</u>	<u>18,919</u>	<u>54,484</u>
Fund Balances:						
Restricted	67,102	481,356	1,950,947	12,854	1,845,029	-
Unassigned (deficit)	-	-	-	-	-	(52,099)
Total fund balances	<u>67,102</u>	<u>481,356</u>	<u>1,950,947</u>	<u>12,854</u>	<u>1,845,029</u>	<u>(52,099)</u>
Total liabilities and fund balances	<u>\$ 67,102</u>	<u>\$ 487,665</u>	<u>\$ 1,950,947</u>	<u>\$ 12,854</u>	<u>\$ 1,863,948</u>	<u>\$ 2,385</u>

(Continued)

City of Calexico
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

	Debt Service		Capital Projects			
	Measure H Debt Service	Measure D Debt Service	General Capital Projects	Capital Grants	DIF - Libraries	DIF - Parks/ Recreation
ASSETS						
Cash and investments	\$ -	\$ -	\$ 2,189,547	\$ -	\$ 146,976	\$ 471,106
Cash and investments with fiscal agents	999,636	1,938,003	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Intergovernmental	-	-	-	284,696	-	-
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 999,636</u>	<u>\$ 1,938,003</u>	<u>\$ 2,189,547</u>	<u>\$ 284,696</u>	<u>\$ 146,976</u>	<u>\$ 471,106</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 750	\$ -	\$ -	\$ 43,220	\$ -	\$ -
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	-	-	169,276	-	-
Deposits payable	-	-	-	-	-	-
Unearned revenue	-	-	-	72,200	-	-
Total liabilities	<u>750</u>	<u>-</u>	<u>-</u>	<u>284,696</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Restricted	998,886	1,938,003	2,189,547	-	146,976	471,106
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances	<u>998,886</u>	<u>1,938,003</u>	<u>2,189,547</u>	<u>-</u>	<u>146,976</u>	<u>471,106</u>
Total liabilities and fund balances	<u>\$ 999,636</u>	<u>\$ 1,938,003</u>	<u>\$ 2,189,547</u>	<u>\$ 284,696</u>	<u>\$ 146,976</u>	<u>\$ 471,106</u>

(Continued)

City of Calexico
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

	Capital Projects					
	DIF - Parking	DIF - General Government	DIF - Traffic	DIF - Police	DIF - Fire	Cole Road Improvements
ASSETS						
Cash and investments	\$ 255,103	\$ 316,555	\$ 1,662,523	\$ 188,355	\$ -	\$ 1,532,580
Cash and investments with fiscal agents	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	\$ 255,103	\$ 316,555	\$ 1,662,523	\$ 188,355	\$ -	\$ 1,532,580
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	-	-	-	235,853	-
Deposits payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	-	-	-	-	235,853	-
Fund Balances:						
Restricted	255,103	316,555	1,662,523	188,355	-	1,532,580
Unassigned (deficit)	-	-	-	-	(235,853)	-
Total fund balances	255,103	316,555	1,662,523	188,355	(235,853)	1,532,580
Total liabilities and fund balances	\$ 255,103	\$ 316,555	\$ 1,662,523	\$ 188,355	\$ -	\$ 1,532,580

(Continued)

City of Calexico
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

	Capital Projects				Other Governmental Funds
	Northwest Area Development	East Area Facilities Plan	Corsair, LLC	New River Grants	
ASSETS					
Cash and investments	\$ 523,714	\$ 901,529	\$ -	\$ 2,360	\$ 15,785,205
Cash and investments with fiscal agents	-	-	-	-	2,937,639
Receivables:					
Accounts	-	-	336,114	-	418,984
Intergovernmental	-	-	-	81,312	876,397
Due from other funds	-	-	-	-	1,075,435
Total assets	\$ 523,714	\$ 901,529	\$ 336,114	\$ 83,672	\$ 21,093,660
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 7,836	\$ 604,463
Accrued payroll	-	-	-	-	7,429
Due to other funds	-	-	335,567	75,836	1,213,184
Deposits payable	-	-	-	-	7,424
Unearned revenue	-	-	-	-	72,200
Total liabilities	-	-	335,567	83,672	1,904,700
Fund Balances:					
Restricted	523,714	901,529	547	-	19,476,912
Unassigned (deficit)	-	-	-	-	(287,952)
Total fund balances	523,714	901,529	547	-	19,188,960
Total liabilities and fund balances	\$ 523,714	\$ 901,529	\$ 336,114	\$ 83,672	\$ 21,093,660

(Concluded)

City of Calexico
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue					
	Library Grant	Community Donations	Art in Public Places	Cannabis Permits	EI Portal	Gas Tax
REVENUES:						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	31,652	-	-	-	-	851,706
Charges for services	-	-	6,806	127,734	160,244	-
Use of money and property	-	-	921	-	-	19,395
Other revenues	-	61,239	-	-	-	-
Total revenues	<u>31,652</u>	<u>61,239</u>	<u>7,727</u>	<u>127,734</u>	<u>160,244</u>	<u>871,101</u>
EXPENDITURES:						
Current:						
General government	-	-	-	15,617	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	840,775
Culture and recreation	31,652	78,939	1,000	-	-	-
Community development	-	-	-	112,117	160,244	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	4,759	-	-	54,672
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>31,652</u>	<u>78,939</u>	<u>5,759</u>	<u>127,734</u>	<u>160,244</u>	<u>895,447</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(17,700)</u>	<u>1,968</u>	<u>-</u>	<u>-</u>	<u>(24,346)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(17,700)</u>	<u>1,968</u>	<u>-</u>	<u>-</u>	<u>(24,346)</u>
FUND BALANCES:						
Beginning of year, as restated (Note 17)	-	150,937	75,460	-	-	1,642,799
End of year	<u>\$ -</u>	<u>\$ 133,237</u>	<u>\$ 77,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,618,453</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, 2018

	Special Revenue					State COPS Grant
	Road Maintenance Rehabilitation	LTF Article 3	TDA	Asset Forfeiture	Prop 172 Public Safety Sales Tax	
REVENUES:						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	239,779	-	42,102	196,842	140,000	144,561
Charges for services	-	-	-	-	-	-
Use of money and property	1,779	4,315	1,236	-	-	-
Other revenues	-	-	-	-	-	-
Total revenues	241,558	4,315	43,338	196,842	140,000	144,561
EXPENDITURES:						
Current:						
General government	-	-	990	-	-	-
Public safety	-	-	-	196,842	140,000	144,561
Public works	-	-	11,019	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	8,719	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	-	-	20,728	196,842	140,000	144,561
REVENUES OVER (UNDER) EXPENDITURES	241,558	4,315	22,610	-	-	-
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	241,558	4,315	22,610	-	-	-
FUND BALANCES:						
Beginning of year, as restated (Note 17)	-	371,375	84,854	-	-	-
End of year	\$ 241,558	\$ 375,690	\$ 107,464	\$ -	\$ -	\$ -

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City of Calexico
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue					Solid Waste
	Operation Stonegarden	Bravo-Victoria Eastside Village Assessment	Other Operating Grants	IVECA	General Plan Update	
REVENUES:						
Other taxes	\$ -	\$ -	\$ -	\$ 91,947	\$ -	\$ -
Intergovernmental	26,017	-	172,974	-	-	-
Charges for services	-	193,934	-	-	-	1,845,926
Use of money and property	-	8,978	-	-	95	8,222
Other revenues	-	-	-	-	-	-
Total revenues	26,017	202,912	172,974	91,947	95	1,854,148
EXPENDITURES:						
Current:						
General government	-	320	-	-	-	-
Public safety	26,017	-	172,974	92,876	-	-
Public works	-	-	-	-	-	1,816,264
Culture and recreation	-	-	-	-	-	-
Community development	-	61,896	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	534,302	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	26,017	596,518	172,974	92,876	-	1,816,264
REVENUES OVER (UNDER) EXPENDITURES	-	(393,606)	-	(929)	95	37,884
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	929	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	929	-	-
Net change in fund balances	-	(393,606)	-	-	95	37,884
FUND BALANCES:						
Beginning of year, as restated (Note 17)	-	1,188,078	-	-	8,111	599,808
End of year	\$ -	\$ 794,472	\$ -	\$ -	\$ 8,206	\$ 637,692

(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, 2018

	Special Revenue					Local Housing Programs
	Business Improvement District	Federal HOME Grant Fund	Successor Housing	State CalHOME Grant	Federal CDBG Grant	
REVENUES:						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	4,700	137,501	-	12,707	310,014	-
Charges for services	-	-	-	-	-	3,600
Use of money and property	771	-	29,747	147	-	31,436
Other revenues	-	-	-	-	-	-
Total revenues	5,471	137,501	29,747	12,854	310,014	35,036
EXPENDITURES:						
Current:						
General government	31	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Housing	-	394	487	-	10,037	37,445
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	31	394	487	-	10,037	37,445
REVENUES OVER (UNDER) EXPENDITURES	5,440	137,107	29,260	12,854	299,977	(2,409)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	22,473	-	-	600,000	-
Transfers out	-	-	(446,616)	-	(217)	(175,639)
Total other financing sources (uses)	-	22,473	(446,616)	-	599,783	(175,639)
Net change in fund balances	5,440	159,580	(417,356)	12,854	899,760	(178,048)
FUND BALANCES:						
Beginning of year, as restated (Note 17)	61,662	321,776	2,368,303	-	945,269	125,949
End of year	\$ 67,102	\$ 481,356	\$ 1,950,947	\$ 12,854	\$ 1,845,029	\$ (52,099)

(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, 2018

	Debt Service		Capital Projects			
	Measure H Debt Service	Measure D Debt Service	General Capital Projects	Capital Grants	DIF - Libraries	DIF - Parks/ Recreation
REVENUES:						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,104,901	-	320,375	-	-
Charges for services	-	-	-	-	1,424	8,596
Use of money and property	2,161	27,744	-	-	1,688	5,411
Other revenues	-	-	-	-	-	-
Total revenues	2,161	1,132,645	-	320,375	3,112	14,007
EXPENDITURES:						
Current:						
General government	2,750	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	6,645	320,375	-	23,696
Debt service:						
Principal	565,000	635,000	-	-	-	-
Interest and fiscal charges	431,200	496,300	-	-	-	-
Total expenditures	998,950	1,131,300	6,645	320,375	-	23,696
REVENUES OVER (UNDER) EXPENDITURES	(996,789)	1,345	(6,645)	-	3,112	(9,689)
OTHER FINANCING SOURCES (USES):						
Transfers in	996,087	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	996,087	-	-	-	-	-
Net change in fund balances	(702)	1,345	(6,645)	-	3,112	(9,689)
FUND BALANCES:						
Beginning of year, as restated (Note 17)	999,588	1,936,658	2,196,192	-	143,864	480,795
End of year	\$ 998,886	\$ 1,938,003	\$ 2,189,547	\$ -	\$ 146,976	\$ 471,106

(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, 2018

	Capital Projects					
	DIF - Parking	DIF - General Government	DIF - Traffic	DIF - Police	DIF - Fire	Cole Road Improvements
REVENUES:						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	972	9,306	5,682	5,914	-
Use of money and property	2,930	3,636	19,009	2,163	-	17,602
Other revenues	-	-	-	-	-	-
Total revenues	<u>2,930</u>	<u>4,608</u>	<u>28,315</u>	<u>7,845</u>	<u>5,914</u>	<u>17,602</u>
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>2,930</u>	<u>4,608</u>	<u>28,315</u>	<u>7,845</u>	<u>5,914</u>	<u>17,602</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>2,930</u>	<u>4,608</u>	<u>28,315</u>	<u>7,845</u>	<u>5,914</u>	<u>17,602</u>
FUND BALANCES:						
Beginning of year, as restated (Note 17)	<u>252,173</u>	<u>311,947</u>	<u>1,634,208</u>	<u>180,510</u>	<u>(241,767)</u>	<u>1,514,978</u>
End of year	<u>\$ 255,103</u>	<u>\$ 316,555</u>	<u>\$ 1,662,523</u>	<u>\$ 188,355</u>	<u>\$ (235,853)</u>	<u>\$ 1,532,580</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, 2018

	Capital Projects				Other Governmental Funds
	Northwest Area Development	East Area Facilities Plan	Corsair, LLC	New River Grants	
REVENUES:					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ 91,947
Intergovernmental	-	-	-	37,480	3,773,311
Charges for services	-	-	547	-	2,370,685
Use of money and property	6,014	10,354	-	-	205,754
Other revenues	-	-	-	-	61,239
Total revenues	<u>6,014</u>	<u>10,354</u>	<u>547</u>	<u>37,480</u>	<u>6,502,936</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	19,708
Public safety	-	-	-	-	773,270
Public works	-	-	-	-	2,668,058
Culture and recreation	-	-	-	-	111,591
Community development	-	-	-	-	334,257
Housing	-	-	-	-	48,363
Capital outlay	-	-	-	37,480	990,648
Debt service:					
Principal	-	-	-	-	1,200,000
Interest and fiscal charges	-	-	-	-	927,500
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,480</u>	<u>7,073,395</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>6,014</u>	<u>10,354</u>	<u>547</u>	<u>-</u>	<u>(570,459)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	1,619,489
Transfers out	-	-	-	-	(622,472)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>997,017</u>
Net change in fund balances	6,014	10,354	547	-	426,558
FUND BALANCES:					
Beginning of year, as restated (Note 17)	517,700	891,175	-	-	18,762,402
End of year	<u>\$ 523,714</u>	<u>\$ 901,529</u>	<u>\$ 547</u>	<u>\$ -</u>	<u>\$ 19,188,960</u>

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INTERNAL SERVICE FUNDS

City of Calexico
Statement of Net Position
All Internal Service Funds
June 30, 2018

	<u>Payroll</u>	<u>Medical Active</u>	<u>Medical Retirees</u>	<u>Workers' Compensation</u>
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Accounts receivable, net	-	6,144	-	-
Intergovernmental receivable	50,311	-	-	-
Due from other funds	-	95,730	57,674	414,957
Deposits	-	-	-	125,000
Inventories and prepaid items	-	-	-	-
Total current assets	<u>50,311</u>	<u>101,874</u>	<u>57,674</u>	<u>539,957</u>
Total assets	<u>50,311</u>	<u>101,874</u>	<u>57,674</u>	<u>539,957</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	96,186	56,828	63,800
Interest payable	-	-	-	10,782
Due to other funds	50,311	-	-	-
Claims payable - due within one year	-	-	-	493,556
Long-term debt - due within one year	-	-	-	216,867
Total current liabilities	<u>50,311</u>	<u>96,186</u>	<u>56,828</u>	<u>785,005</u>
Noncurrent liabilities:				
Claims payable - due in more than one year	-	-	-	1,072,444
Long term debt - due in more than one year	-	-	-	287,713
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,360,157</u>
Total liabilities	<u>50,311</u>	<u>96,186</u>	<u>56,828</u>	<u>2,145,162</u>
NET POSITION				
Unrestricted (deficit)	<u>-</u>	<u>5,688</u>	<u>846</u>	<u>(1,605,205)</u>
Total net position	<u>\$ -</u>	<u>\$ 5,688</u>	<u>\$ 846</u>	<u>\$ (1,605,205)</u>

(Continued)

City of Calexico
Statement of Net Position (Continued)
All Internal Service Funds
June 30, 2018

	General Liability	Unemployment Insurance	Total
ASSETS			
Current assets:			
Cash and investments	\$ -	\$ 5,396	\$ 5,396
Accounts receivable, net	-	21	6,165
Intergovernmental receivable	-	-	50,311
Due from other funds	352,319	-	920,680
Deposits	50,000	-	175,000
Inventories and prepaid items	77,803	-	77,803
Total current assets	480,122	5,417	1,235,355
Total assets	480,122	5,417	1,235,355
LIABILITIES			
Current liabilities:			
Accounts payable	106,237	2,832	325,883
Interest payable	32,820	-	43,602
Due to other funds	-	-	50,311
Claims payable - due within one year	163,215	-	656,771
Long-term debt - due within one year	373,311	-	590,178
Total current liabilities	675,583	2,832	1,666,745
Noncurrent liabilities:			
Claims payable - due in more than one year	222,785	-	1,295,229
Long term debt - due in more than one year	1,168,301	-	1,456,014
Total noncurrent liabilities	1,391,086	-	2,751,243
Total liabilities	2,066,669	2,832	4,417,988
NET POSITION			
Unrestricted (deficit)	(1,586,547)	2,585	(3,182,633)
Total net position	\$ (1,586,547)	\$ 2,585	\$ (3,182,633)

(Concluded)

City of Calexico
Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2018

	Payroll	Medical Active	Medical Retirees	Workers' Compensation
OPERATING REVENUES:				
Charges for services	\$ -	\$ 1,953,885	\$ 469,548	\$ 883,777
Total operating revenues	-	1,953,885	469,548	883,777
OPERATING EXPENSES:				
Insurance	-	-	-	238,883
Claim payments	-	1,080,030	614,455	768,153
Claims administration	-	475,503	140,247	57,609
Total operating expenses	-	1,555,533	754,702	1,064,645
OPERATING INCOME (LOSS)	-	398,352	(285,154)	(180,868)
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	-	3,336	-	4,054
Interest expense	-	-	-	(10,782)
Total nonoperating revenues (expenses)	-	3,336	-	(6,728)
INCOME (LOSS) BEFORE TRANSFERS	-	401,688	(285,154)	(187,596)
TRANSFERS:				
Transfers in	-	-	286,000	40,000
Transfers out	-	(396,000)	-	-
Total transfers	-	(396,000)	286,000	40,000
Changes in net position	-	5,688	846	(147,596)
NET POSITION:				
Beginning of year	-	-	-	(1,457,609)
End of year	\$ -	\$ 5,688	\$ 846	\$ (1,605,205)

(Continued)

City of Calexico
Statement of Revenues, Expenses, and Changes in Net Position (Continued)
All Internal Service Funds
For the Year Ended June 30, 2018

	General Liability	Unemployment Insurance	Total
OPERATING REVENUES:			
Charges for services	\$ 639,500	\$ 10,721	\$ 3,957,431
Total operating revenues	<u>639,500</u>	<u>10,721</u>	<u>3,957,431</u>
OPERATING EXPENSES:			
Insurance	275,430	-	514,313
Claim payments	136,065	9,675	2,608,378
Claims administration	36,231	-	709,590
Total operating expenses	<u>447,726</u>	<u>9,675</u>	<u>3,832,281</u>
OPERATING INCOME (LOSS)	<u>191,774</u>	<u>1,046</u>	<u>125,150</u>
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	2,051	968	10,409
Interest expense	(33,215)	-	(43,997)
Total nonoperating revenues (expenses)	<u>(31,164)</u>	<u>968</u>	<u>(33,588)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>160,610</u>	<u>2,014</u>	<u>91,562</u>
TRANSFERS:			
Transfers in	70,000	-	396,000
Transfers out	-	-	(396,000)
Total transfers	<u>70,000</u>	<u>-</u>	<u>-</u>
Changes in net position	230,610	2,014	91,562
NET POSITION:			
Beginning of year	(1,817,157)	571	(3,274,195)
End of year	<u>\$ (1,586,547)</u>	<u>\$ 2,585</u>	<u>\$ (3,182,633)</u>

(Concluded)

City of Calexico
Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2018

	<u>Payroll</u>	<u>Medical Active</u>	<u>Medical Retirees</u>	<u>Workers Compensation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from users	\$ -	\$ 2,107,540	\$ 469,548	\$ 883,777
Cash payments to suppliers for goods and services	-	(547,678)	(130,211)	(29,956)
Cash payments for claims and insurance	-	(1,080,030)	(614,455)	(777,036)
Net cash provided by (used in) operating activities	-	479,832	(275,118)	76,785
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Principal paid on noncapital-related debt	-	-	-	-
Interest paid on noncapital-related debt	-	-	-	(11,772)
Short-term interfund borrowing (lending)	-	(87,168)	(10,882)	(127,871)
Transfers in	-	-	286,000	40,000
Transfers out	-	(396,000)	-	-
Net cash provided by (used in) noncapital financing activities	-	(483,168)	275,118	(99,643)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	-	3,336	-	4,054
Net cash provided by investing activities	-	3,336	-	4,054
Net (decrease) in cash and cash equivalents	-	-	-	(18,804)
CASH AND CASH EQUIVALENTS:				
Beginning of year	-	-	-	18,804
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF CASH AND INVESTMENTS TO STATEMENT OF NET POSITION:				
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total cash and investments	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(Continued)

City of Calexico
Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2018

	General Liability	Unemployment Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from users	\$ 639,500	\$ 10,700	\$ 4,111,065
Cash payments to suppliers for goods and services	(15,974)	-	(723,819)
Cash payments for claims and insurance	(420,762)	(9,890)	(2,902,173)
Net cash provided by (used in) operating activities	202,764	810	485,073
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Principal paid on noncapital-related debt	(9,129)	-	(9,129)
Interest paid on noncapital-related debt	(22,898)	-	(34,670)
Short-term interfund borrowing (lending)	(245,446)	3,618	(467,749)
Transfers in	70,000	-	396,000
Transfers out	-	-	(396,000)
Net cash provided by (used in) noncapital financing activities	(207,473)	3,618	(511,548)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	2,051	968	10,409
Net cash provided by investing activities	2,051	968	10,409
Net (decrease) in cash and cash equivalents	(2,658)	5,396	(16,066)
CASH AND CASH EQUIVALENTS:			
Beginning of year	2,658	-	21,462
End of year	\$ -	\$ 5,396	\$ 5,396
RECONCILIATION OF CASH AND INVESTMENTS TO STATEMENT OF NET POSITION:			
Cash and investments	\$ -	\$ 5,396	\$ 5,396
Total cash and investments	\$ -	\$ 5,396	\$ 5,396

(Continued)

City of Calexico
Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2018

	<u>Payroll</u>	<u>Medical Active</u>	<u>Medical Retirees</u>	<u>Workers Compensation</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ -	\$ 398,352	\$ (285,154)	\$ (180,868)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in operating assets and liabilities:				
Accounts receivable	-	153,655	-	-
Inventories and prepaid items	-	-	-	-
Accounts payable	-	(72,175)	10,036	27,653
Claims payable	-	-	-	230,000
Total adjustments	<u>-</u>	<u>81,480</u>	<u>10,036</u>	<u>257,653</u>
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ 479,832</u>	<u>\$ (275,118)</u>	<u>\$ 76,785</u>

(Continued)

City of Calexico
Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2018

	General Liability	Unemployment Insurance	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 191,774	\$ 1,046	\$ 125,150
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Changes in operating assets and liabilities:			
Accounts receivable	-	(21)	153,634
Inventories and prepaid items	(77,803)	-	(77,803)
Accounts payable	93,207	(215)	58,506
Claims payable	(4,414)	-	225,586
Total adjustments	10,990	(236)	359,923
Net cash provided by (used in) operating activities	\$ 202,764	\$ 810	\$ 485,073

(Concluded)

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ALL AGENCY FUNDS

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City of Calexico
Combining Statement of Fiduciary Net Position
All Agency Funds
June 30, 2018

	Corsair 2013-1 Gran Plaza CFD	Towncenter CFD	Hearthstone 2005-1 CFD	Venezia CFD	Total Agency Funds
ASSETS					
Cash and investments	\$ 401,034	\$ 11,268	\$ 80,277	\$ 21,522	\$ 514,101
Cash and investments with fiscal agents	616,427	-	421,293	-	1,037,720
Accounts receivable	-	-	167,876	-	167,876
Total assets	\$ 1,017,461	\$ 11,268	\$ 669,446	\$ 21,522	\$ 1,719,697
LIABILITIES					
Accounts payable	\$ 3,057	\$ -	\$ 11,233	\$ -	\$ 14,290
Due to bondholders	1,014,404	11,268	658,213	21,522	1,705,407
Total liabilities	\$ 1,017,461	\$ 11,268	\$ 669,446	\$ 21,522	\$ 1,719,697

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City of Calexico
Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>Corsair 2013-1 Gran Plaza CFD</u>				
Assets:				
Cash and investments	\$ 266,963	\$ 134,071	\$ -	\$ 401,034
Cash and investments with fiscal agent	960,491	-	(344,064)	616,427
Total assets	\$ 1,227,454	\$ 134,071	\$ (344,064)	\$ 1,017,461
Liabilities:				
Accounts payable	\$ -	\$ 3,057	\$ -	\$ 3,057
Due to bondholders	1,227,454	-	(213,050)	1,014,404
Total liabilities	\$ 1,227,454	\$ 3,057	\$ (213,050)	\$ 1,017,461
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>Towncenter CFD</u>				
Assets:				
Cash and investments	\$ 11,139	\$ 129	\$ -	\$ 11,268
Total assets	\$ 11,139	\$ 129	\$ -	\$ 11,268
Liabilities:				
Due to bondholders	\$ 11,139	\$ 129	\$ -	\$ 11,268
Total liabilities	\$ 11,139	\$ 129	\$ -	\$ 11,268
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>Hearthstone 2005-1 CFD</u>				
Assets:				
Cash and investments	\$ 93,365	\$ -	\$ (13,088)	\$ 80,277
Cash and investments with fiscal agent	503,383	-	(82,090)	421,293
Accounts receivable	152,859	15,017	-	167,876
Total assets	\$ 749,607	\$ 15,017	\$ (95,178)	\$ 669,446
Liabilities:				
Accounts payable	\$ 1,069	\$ 10,164	\$ -	\$ 11,233
Due to bondholders	748,538	-	(90,325)	658,213
Total liabilities	\$ 749,607	\$ 10,164	\$ (90,325)	\$ 669,446

City of Calexico
Statement of Changes in Fiduciary Assets and Liabilities (Continued)
All Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>Venezia CFD</u>				
Assets:				
Cash and investments	\$ 21,274	\$ 248	\$ -	\$ 21,522
Total assets	\$ 21,274	\$ 248	\$ -	\$ 21,522
Liabilities:				
Due to bondholders	\$ 21,274	\$ 248	\$ -	\$ 21,522
Total liabilities	\$ 21,274	\$ 248	\$ -	\$ 21,522
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>ALL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 392,741	\$ 134,448	\$ (13,088)	\$ 514,101
Cash and investments with fiscal agent	1,463,874	-	(426,154)	1,037,720
Accounts receivable	152,859	15,017	-	167,876
Total assets	\$ 2,009,474	\$ 149,465	\$ (439,242)	\$ 1,719,697
Liabilities:				
Accounts payable	\$ 1,069	\$ 13,221	\$ -	\$ 14,290
Due to bondholders	2,008,405	377	(303,375)	1,705,407
Total liabilities	\$ 2,009,474	\$ 13,598	\$ (303,375)	\$ 1,719,697



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, California

We have audited, in accordance with the 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, the 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, 2018, and the related notes to the basic financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated August 29, 2019.

Internal Control Over Financial Reporting,

In planning and performing our audit of the financial statements of the of the City of Calexico, California (the "City") as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the Report on Internal Control Related Matters in an Audit as findings 2018-001 through 2018-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the Report on Internal Control Related Matters in an Audit as finding 2018-003 to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

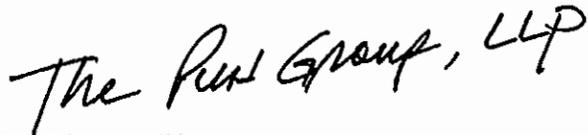
During our audit, we also became aware of deficiencies in internal control other than significant deficiencies or material weaknesses. These are reported as other matters in the Report on Internal Control Related Matters in an Audit and we believe are opportunities for strengthening internal controls and operating efficiency.

The City's Responses to Findings

The City's written responses to the findings included in this report have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Diego, California
August 29, 2019

**City of Calexico
Transportation Development Act
Article 3 and Article 8e**

Calexico, California

**Financial Statements
and Independent Auditor's Report**

For the Years Ended June 30, 2018 and 2017



City of Calexico
Transportation Development Act – Article 3 and Article 8e
For the Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Article 3 and Article 8e Funds (the "TDA Non-Transit Funds") of the City of Calexico, California (the "City") as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the TDA Non-Transit Funds' 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the TDA Non-Transit Funds of the of the City of Calexico, California, as of June 30, 2018 and 2017, and the respective changes in financial position, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, California
Page 2

Other Matters

As described in Note 1, the accompanying financial statements present only the TDA Non-Transit Funds and are not intended to, and do not, present fairly the financial position of the City as of June 30, 2018 and 2017, and the changes in fund balance thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 19-22 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2019 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the City's internal control over financial reporting and compliance.

The PwC Group, LLP

San Diego, California
August 29, 2019

FINANCIAL STATEMENTS

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TDA ARTICLE (3)

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City of Calexico
Transportation Development Act Fund – Article 3
Balance Sheets
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and investments	\$ 375,690	\$ 337,931
Due from other governmental agencies	-	68,133
Total assets	\$ 375,690	\$ 406,064
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Deferred Inflows of Resources:		
Unavailable revenue	-	34,689
Total deferred inflows of resources	-	34,689
Fund balance:		
Restricted	375,690	371,375
Total fund balance	375,690	371,375
Total deferred inflows of resources and fund balances	\$ 375,690	\$ 406,064

City of Calexico
Transportation Development Act Fund – Article 3
Statements of Revenues, Expenditures, and Change in Fund Balance
For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUES:		
TDA funds	\$ -	\$ -
Use of money and property	4,315	1,204
Total revenues	4,315	1,204
CHANGE IN FUND BALANCE	4,315	1,204
FUND BALANCE:		
Beginning of year	371,375	370,171
End of year	\$ 375,690	\$ 371,375

TDA ARTICLE (8e)

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City of Calexico
Transportation Development Act Fund – Article 8c
Balance Sheets
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and investments	\$ 107,818	\$ 85,050
Accounts receivable	-	41,988
Total assets	\$ 107,818	\$ 127,038
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 354	\$ 196
Total liabilities	354	196
Deferred Inflows of Resources:		
Unavailable revenue	-	41,988
Total deferred inflows of resources	-	41,988
Fund balance:		
Restricted	107,464	84,854
Total fund balance	107,464	84,854
Total liabilities, deferred inflows of resources and fund balances	\$ 107,818	\$ 127,038

See accompanying Notes to the Financial Statements.

City of Calexico
Transportation Development Act Fund – Article 8e
Statements of Revenues, Expenditures, and Change in Fund Balance
For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUES:		
TDA funds	\$ 42,102	\$ -
Use of money and property	1,236	303
Total revenues	<u>43,338</u>	<u>303</u>
EXPENDITURES:		
Current expenditures:		
General government	990	-
Public works	11,019	5,640
Capital outlay	8,719	-
Total Expenditures	<u>20,728</u>	<u>5,640</u>
CHANGE IN FUND BALANCE	22,610	(5,337)
FUND BALANCE:		
Beginning of year, as restated (Note 16)	84,854	90,191
End of year	<u>\$ 107,464</u>	<u>\$ 84,854</u>

See accompanying Notes to the Financial Statements.

City of Calexico
Transportation Development Act – Article 3 and Article 8e
Notes to the Financial Statements
For the Years Ended June 30, 2018 and 2017

Note 1 – Summary of Significant Accounting Policies

The financial statements of the TDA Non-Transit Funds of the City are in conformity with accounting principles generally accepted in the United States of America applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

The 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 statements of the Transportation Development Act (TDA) Article 3 and Article 8e Funds (TDA Non-Transit Funds) are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Non-Transit Funds administered and disbursed by the City of Calexico, California (the “City”).

Fund Accounting

The accounts of the City are organized on the basis of funds, which are considered to be separate accounting entities. The operations of the TDA Non-Transit Funds are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds represented in the TDA Non-Transit Funds’ financial statements are special revenue fund types. The TDA Non-Transit Funds account for the City’s share of the TDA Article 3, Article 8a, and Article 8e allocations. The TDA Non-Transit Funds are legally restricted for specific purposes and are included in the basic financial statements of the City.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Financial statements for the special revenue fund type of governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting.

Basis of accounting refers to when revenues and the related assets and liabilities are recognized in the accounts and reported in the TDA Non-Transit Funds’ financial statements. Specifically, it relates to the timing of measurements made, regardless of the nature of the measurement. Revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long term-liabilities, which is recognized when due. Additionally, consistent with the flow of “*current financial resources*” measurement focus required for governmental fund financial statements, unmatured long-term indebtedness are reported as a long-term liability of the City, not as a liability of the fund.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; that is, when they become both measurable and available to finance expenditures in the fiscal period. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the TDA Non-Transit Funds, revenues and other governmental fund financial resources are recognized if measurable and collectible generally within 60 days following the end of the fiscal year. Revenues considered susceptible to accrual primarily include TDA Article 3 and Article 8e funds and interest.

City of Calexico
Transportation Development Act – Article 3 and Article 8e
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2018 and 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Cash and Investments

TDA Non-Transit Funds pools cash resources with all funds in the City in order to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

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

The City considers amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as “Cash and Investments” in the accompanying financial statements.

Revenue Recognition

Recognition of revenues arising from non-exchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. Funds allocated under the capital improvements program obtain the characteristic of a voluntary non-exchange transaction similar to a grant.

Unavailable revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Budgetary Control and Encumbrances

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current year expenditures are charged against the budgeted appropriations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of Calexico
Transportation Development Act – Article 3 and Article 8e
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2018 and 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Balances

In the governmental fund financial statements, fund balances are classified in the following categories:

Nonspendable Fund Balance – 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 Fund Balance – 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 Fund Balance – 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 Fund Balance – 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. The Finance Director is authorized to determine and define the amount of assigned fund balances.

Unassigned Fund Balance – This amount indicates the portion of fund balance that do not fall into one of the above categories.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City’s policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed.

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.

Note 2 – Cash and Investments

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The balance of the TDA Funds’ cash, as of June 30, 2018 and 2017, respectively, was as follows:

	2018	2017
TDA Article 3	\$ 375,690	\$ 337,931
TDA Article 8e	\$ 107,818	\$ 85,050

The TDA Funds’ cash is deposited in the City’s internal investment pool, which is reported at fair value. Interest income is allocated based on average cash balances. Investment policies and associated risk factors applicable to the TDA Funds are those of the City and are included in the City’s basic financial statements.

City of Calexico
Transportation Development Act – Article 3 and Article 8e
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2018 and 2017

Note 3 - Restrictions

Funds received pursuant to TDA Article 3 may only be used for pedestrian and bicycle projects.

Funds received pursuant to TDA Article 8e may only be used to pay for capital expenses incurred while contracting for transit services with profit making or non-profit companies for public transportation services as described in TDA Article 8e.

Note 4 – Contingencies

A. Litigation

The City is a defendant in certain legal actions arising in the normal course of operations. Liabilities for the probable amounts of loss associated with these claims are covered through the City's self-insurance and the California State Association of Counties Excess Insurance Authority. The City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. TDA Funds

The TDA funds are subject to program compliance audits by the grantors and their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 5 – Pedestrian and Bicycle Projects

The City has planned a bikeway system in conformance with specifications of Caltrans' *Planning and Design Criteria for Bikeways in California*, and the Regional Transportation Plan using funds received pursuant to TDA Article 3. For the years ended June 30, 2018 and 2017, the City has not expended TDA Article 3 funding for pedestrian and bicycle projects.

Note 6 – Prior Period Adjustments

The beginning fund balance at July 1, 2016 for the Transportation Development Act Fund – Article 8e was restated as follows:

	Transportation Development Act Fund – Article 8e
Fund balance at July 1, 2016, as previously reported	\$ 132,771
To write-off uncollectible TDA grant revenue	(42,580)
Fund balance at July 1, 2016, as restated	\$ 90,191

REQUIRED SUPPLEMENTARY INFORMATION

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City of Calexico
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Article 3
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2017	\$ 254,471	\$ 254,471	\$ 371,375	\$ 116,904
Resources (inflows):				
TDA funds	33,486	33,486	-	(33,486)
Use of money and property	-	-	4,315	4,315
Amount available for appropriation	<u>33,486</u>	<u>33,486</u>	<u>4,315</u>	<u>(29,171)</u>
Charges to appropriations (outflows):				
Capital outlay	<u>375,000</u>	<u>375,000</u>	<u>-</u>	<u>375,000</u>
Total charges to appropriations	<u>375,000</u>	<u>375,000</u>	<u>-</u>	<u>375,000</u>
Excess of resources over (under) charges to appropriations	<u>(341,514)</u>	<u>(341,514)</u>	<u>4,315</u>	<u>345,829</u>
Fund balance, June 30, 2018	<u>\$ (87,043)</u>	<u>\$ (87,043)</u>	<u>\$ 375,690</u>	<u>\$ 462,733</u>

City of Calexico
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Article 3
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2016	\$ 254,471	\$ 254,471	\$ 370,171	\$ 115,700
Resources (inflows):				
Use of money and property	-	-	1,204	1,204
Amount available for appropriation	-	-	1,204	1,204
Excess of resources over (under) charges to appropriations	-	-	1,204	1,204
Fund balance, June 30, 2017	\$ 254,471	\$ 254,471	\$ 371,375	\$ 116,904

City of Calexico
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Article 8c
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2017	\$ 32,729	\$ 32,729	\$ 84,854	\$ 52,125
Resources (inflows):				
TDA funds	42,102	42,102	42,102	-
Use of money and property	-	-	1,236	1,236
Amount available for appropriation	42,102	42,102	43,338	1,236
Charges to appropriations (outflows):				
General government	-	-	990	(990)
Public works	16,000	16,000	11,019	4,981
Capital outlay	25,000	25,000	8,719	16,281
Total charges to appropriations	41,000	41,000	20,728	20,272
Excess of resources over (under) charges to appropriations	1,102	1,102	22,610	21,508
Fund balance, June 30, 2018	\$ 33,831	\$ 33,831	\$ 107,464	\$ 73,633

City of Calexico
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Article 8e
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2016, as restated	\$ 32,729	\$32,729	\$ 90,191	\$ 57,462
Resources (inflows):				
Use of money and property	-	-	303	303
Amount available for appropriation	-	-	303	303
Charges to appropriations (outflows):				
Public works	-	-	5,640	(5,640)
Total charges to appropriations	-	-	5,640	(5,640)
Excess of resources over (under) charges to appropriations	-	-	(5,337)	(5,337)
Fund balance, June 30, 2017	\$ 32,729	\$ 32,729	\$ 84,854	\$ 52,125



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

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

We have audited, in accordance with generally accepted auditing standards 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, the accompanying financial statements of the Transportation Development Act (TDA) Article 3 and Article 8e Funds (the "TDA Non-Transit Funds") of the City of Calexico, California (the "City"), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the TDA Non-Transit Funds' basic financial statements, and have issued our report thereon dated August 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the TDA Non-Transit Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TDA Non-Transit Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the TDA Non-Transit Funds' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the TDA Transit Fund's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts and grants, including the requirements governing the TDA Transit Fund as described in §6666 and §6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audits of the TDA Transit Fund and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and is disclosed as follows.

Finding 2018-01 - Late Submission of Certified Fiscal Audit

Criteria:

Pursuant to the IVAG Guidebook for the Transportation Development Act: "Certified Fiscal Audit - The TDA statute requires that all claimants submit a certified fiscal audit annually to their regional transportation planning agency and to the State Controller within 180 days after the end of the fiscal year. The fiscal report must include the audited amounts for the prior fiscal year."

Condition:

The City has experienced significant delays in the preparation and issuance of 2018 financial statements and completion of their annual fiscal audit required under the Transportation Development Act.

Effect:

The City is not in compliance with the requirements of the Transportation Development Act.

Recommendation:

The City's Finance Department should develop standard operating procedures to facilitate monthly and year-end closing processes and the preparation of its basic financial statements.

Recommendation:

The City concurs with this finding and is pleased to report the recent hiring of a new Finance Director with grant experience who will assist the City in the future timely completion of financial and compliance audit reports."

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Diego, California
August 29, 2019



**INDEPENDENT ACCOUNTANTS' COMPLIANCE REPORT ON THE
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 AND 8e FUNDS**

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

We have examined the City of Calexico's (the "City") Transportation Development Act Article 3 and 8e Funds' (the "TDA Program") compliance with the types of compliance requirements described in Section 6666 of the *Rules and Regulations of the California Administrative Code in the Transportation Development Act Statutes and Administrative Code for 1987* (the Act) and the allocation instructions and resolutions of the Imperial Valley Association of Governments (IVAG) during the year ended June 30, 2018.

Management's Responsibility

The City's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the TDA Program.

Accountants' Responsibility

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining on a test basis, evidence about TDA Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of the TDA Program's compliance with specified requirements.

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

Opinion

In our opinion the TDA Program complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2018.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the TDA Program. Accordingly, this report is not suitable for any other purpose.

The Pun Group, LLP

San Diego, California
August 29, 2019

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City of Calexico

Calexico, California

Report on Internal Control Related Matters Identified in an Audit

For the Year Ended June 30, 2018



City of Calexico
Report on Internal Control Related Matters Identified in an Audit
For the Year Ended June 30, 2018

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August 29, 2019

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

We have audited, in accordance with the 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, the 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, 2018, and the related notes to the basic financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated August 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the of the City of Calexico, California (the "City") as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in this report as item numbers 2018-001 through 2018-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in this report as item number 2018-003 to be a significant deficiency.

To the Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, California
Page 2

Compliance and Other Matters

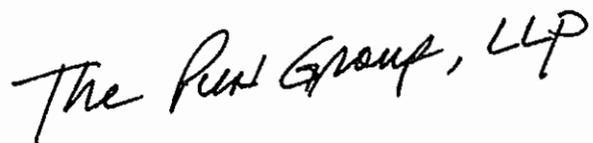
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

The City's Responses to Findings

The City's written responses to the findings included in this report have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

San Diego, California
August 29, 2019

City of Calexico
Report on Internal Control Related Matters Identified in an Audit
For the Year Ended June 30, 2018

Finding 2018-001 Delay in Financial Reporting

Criteria:

Management is responsible for providing timely and accurate financial information. Since the City claims Transit Development Act (TDA) Funds, CCR § 6664 –*Fiscal and Compliance Audits of All Claimants*, states in accordance with Public Utilities Code Section 99245, a report of a fiscal and compliance audit made by an independent auditor shall be submitted by each claimant within 180 days after the end of the fiscal year, except that the responsible entity, as defined in Section 6663, may grant an extension of up to 90 days as it deems necessary.

Condition and Context:

The City has experienced delays in the preparation and issuance of the 2018 basic financial statements.

Cause:

The Finance Department did not have sufficient accounting personnel with the appropriate skills, knowledge and experience to take on the financial responsibilities of the finances of the City.

Effect:

Delays in processing transactions timely and closing accounting periods can create accounting errors that could go undetected and may lead the financial statements to be materially misstated and create further delays in the release of audited financial statements. In addition, The City is neither in compliance with TDA claimant audit requirements nor is it meeting its current demands for external financial reporting.

Identification as a Repeat Finding, If Applicable:

Yes – Prior Year Finding 2017-001.

Recommendation:

Finance Department should develop standard operating procedures to facilitate monthly and year end close process and the preparation of its basic financial statements. Because the basic financial statements are the responsibility of the City, it is in its own best interest to closely monitor the accounting process to ensure that financial position and operating results are accurately and timely reported. The following steps could be used to avoid future delays:

- Assign qualified accounting personnel in handling complex transactions;
- Identify critical due dates and develop a listing of assignment, including department coordinated items, based on available resources to meet those due dates;
- Hold periodic meetings to monitor the progress of assignments and responsibilities; and
- Conduct management review of financial statements and audit schedules prior to presenting them to the auditors.

Management's View and Corrective Action Plan:

The City concurs with the auditor's recommendation. The City fell behind with its financial reporting in 2014 and 2015 during a lengthy financial system conversion and period of staff turnover. The 2016 and 2017 financial statements demonstrated incremental improvement, taking 9-10 months to complete. However, in 2018, new staff turnover has resulted in further significant delays in financial reporting. The City is pleased to have hired new permanent staff that are now in training to provide timely financial reporting to the City and its stakeholders.

City of Calexico
Report on Internal Control Related Matters Identified in an Audit (Continued)
For the Year Ended June 30, 2018

Finding: 2018-002 Ability to Retain Qualified Accounting and Management Personnel

Criteria:

In order to have effective accounting systems and internal controls, the City should retain qualified accounting personnel who have the skill, knowledge and experience to initiate, record and process the year-end financial close process of the City. Having sufficient qualified accounting personnel is a key element to running a successful Accounting Department and issuing timely financial statements.

Condition and Context:

During the fiscal year ended June 30, 2018, the City's accounting and management positions within the City were not fully staffed with qualified personnel. The City was still heavily reliant in 2018 on the use of accounting consultants to complete the year-end close process.

Cause:

The Finance Department did not have sufficient accounting personnel with the appropriate skills, knowledge and experience to take on the financial responsibilities of the finances of the City.

Effect:

Ineffective internal control to the financial statements can be caused by poor segregation of duties and lack of accounting personnel. The lack of the functional accounting department for the City can cause material weakness to the financial statements in the future.

Identification as a Repeat Finding, If Applicable:

Yes – Prior Year Finding 2017-002.

Recommendation:

We recommend that the City hire qualified personnel for the Accounting Department, and also take necessary actions to retain its personnel.

View of Responsible Officials and Planned Corrective Actions:

The City agrees that qualified accounting personnel are essential to maintaining effective internal controls and accurate financial statements. The City is pleased this year to have recruited a permanent Finance Director and has recently filled an accountant position. Staff continues in training to develop their accounting and year-end close skills to provide the recommended internal control and preparation of accurate financial statements.

City of Calexico
Report on Internal Control Related Matters Identified in an Audit (Continued)
For the Year Ended June 30, 2018

Finding: 2018-003 Reporting

Program:

Federal Catalog Number:	14.239
Federal Program Name:	HOME Investment Partnership
Federal Agency:	Department of Housing and Urban Development
Pass-Through Entity:	California Department of Housing and Community Development
Federal Award Number and Award Year	13-HOME-8612

Criteria:

U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR—AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS (Uniform Guidance), Subpart C— Auditees, Section .300—Auditee Responsibilities

(b) Maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Per California Code of Regulations; Title 25, Division 1. Housing and Community Development, Chapter 7. Department of Housing and Community Development Program; Subchapter 2. State Community Development Block Grant Program Article 4. Grant Administration. Subchapter 7110. Monitoring and Reporting of Program Performance. (a) Grantees shall monitor the performance of grant-supported activities to assure that time schedules are being met and the milestones in the work schedule are being accomplished. This review shall be made for each activity in the approved grant agreement. (b) Each grantee shall prepare annual and periodic performance reports. Except as provided for in subdivision (d) below, performance reports shall not be required more frequently than quarterly unless warranted by special circumstances.

Per California Code of Regulations; Title 25, Division 1. Housing and Community Development, Chapter 7. Department of Housing and Community Development Program; Subchapter 17. State HOME Investment Partnership Act Program Article 4. Program Operations; § 8216 - Reporting and Recordkeeping Item 40. (3) State recipients, Developers, CHDOs, or other borrowers shall submit to the Department an annual performance report. The annual performance report shall cover the period from July 1 to June 30 and shall be submitted on July 1 of each year and not later than July 31 of each year pursuant to Section 8214(a)(4)(C). The report shall include information and documentation which is necessary to meet record keeping and reporting requirements pursuant to 24 CFR Section 92.508(b).

Per the *HOME Standard Agreement Number 13-HOME-8612* “Section 24. Reporting: (A. Commencing with the monthly report for August 2013, due September 2013, and continuing through the acceptance of the Project Completion Report in IDIS and no later than thirty (30) days after the end of each calendar quarter, the HOME Recipient shall submit a quarterly performance report to the Department on forms provided by the Department.) (B. Commencing with the effective date of this Agreement and continuing through the acceptance of the Project Completion Report in IDIS and no later than the tenth business day of the following month, the HOME Recipient shall submit a “State HOME Project Monthly Status Report” to the Department on forms provided by the Department.)”

City of Calexico
Report on Internal Control Related Matters Identified in an Audit (Continued)
For the Year Ended June 30, 2018

Finding: 2018-003 Reporting (Continued)

Condition:

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

Home Investment Partnership Program (CFDA# 14.239):

- A. Quarterly State Performance Report
- B. State HOME Project Monthly Status Report
- C. Quarterly State Program Income Report

Questioned Costs:

No specific questioned costs were identified.

Context:

HOME Reports: Of the four (4) required Quarterly State Performance reports, four (4) could not be located. Of the four (4) required Quarterly State Program Income Reports, two (2) could not be located. Of the twelve (12) required State HOME Project Monthly Status Reports, twelve (12) could not be located.

Cause:

Lack of internal controls over the preparation and submission of the required grant reports.

Identification as a Repeat Finding, If Applicable:

Yes – Prior Year Finding 2017-004.

Effect:

The City's failure to comply with stated rules and regulations over the required reports increases the risk that inaccurate or incomplete information will be reported to the grantor agency.

Recommendation:

The City should implement internal controls over the preparation and maintenance of reports to ensure the reports are based on applicable accounting or performance records and they are reviewed for accuracy and completeness prior to submission.

Views of Responsible Officials and Corrective Action Plan:

The City concurs with the auditor's findings. The City's Housing Department grant programs have been subject to staff turnover, inadequate records, incomplete reporting, and insufficient administrative supervision. Housing staff members are working to catch up and file required grantor reports on a timely basis.

City of Calexico
Report on Internal Control Related Matters Identified in an Audit (Continued)
For the Year Ended June 30, 2018

Status of Prior Year Findings:

<u>Finding No.</u>	<u>Status</u>
2017-001 Delay in Financial Reporting	Not implemented
2017-002 Accounting Records and Financial Reporting	Not implemented
2017-003 Program Income	Implemented
2017-004 Reporting	Not implemented
2015-006 Allowable Cost	Implemented