

CITY OF BRAWLEY
Brawley, California

Annual Financial Report
For the Fiscal Year Ended June 30, 2017

CITY OF BRAWLEY
Brawley, California

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Members of City Council
City of Brawley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Brawley, California, (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules for the General Fund on page 53 and Economic and Community Development special revenue fund on page 54, the schedule of the City's proportionate share of the net pension liability on page 55, the schedule of plan contributions on page 56 and the related notes on page 57, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Riverside, California

October 11, 2018

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CITY OF BRAWLEY
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 22,077,765	\$ 15,209,489	\$ 37,287,254
Restricted cash and investments with fiscal agents	90,042	238,682	328,724
Accounts receivable	1,880,579	918,495	2,799,074
Interest receivable	579,751	48,694	628,445
Notes receivable	7,677,442		7,677,442
Due from other governments	1,755,325	592,634	2,347,959
Prepaid expenses	145,727		145,727
Capital assets not being depreciated	5,418,539	443,962	5,862,501
Capital assets, net of accumulated depreciation	26,743,630	65,201,315	91,944,945
Total assets	<u>66,368,800</u>	<u>82,653,271</u>	<u>149,022,071</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	<u>6,263,306</u>	<u>713,422</u>	<u>6,976,728</u>
LIABILITIES			
Accounts payable	966,898	409,710	1,376,608
Accrued interest payable		36,696	36,696
Deposits payable	2,737,572	602,093	3,339,665
Unearned revenue	9,365,120		9,365,120
Noncurrent liabilities:			
Due within one year	193,725	2,600,525	2,794,250
Due in more than one year	20,065,248	19,151,507	39,216,755
Total liabilities	<u>33,328,563</u>	<u>22,800,531</u>	<u>56,129,094</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	<u>1,332,158</u>	<u>212,563</u>	<u>1,544,721</u>
NET POSITION			
Net investment in capital assets	32,162,169	46,810,244	78,972,413
Restricted for:			
Public safety	132,098		132,098
Community development	11,695,785		11,695,785
Culture and leisure	57,965		57,965
Debt service		227,167	227,167
Streets and roads	5,231,963		5,231,963
Unrestricted	<u>(11,308,595)</u>	<u>13,316,188</u>	<u>2,007,593</u>
Total net position	<u>\$ 37,971,385</u>	<u>\$ 60,353,599</u>	<u>\$ 98,324,984</u>

See Notes to Basic Financial Statements

CITY OF BRAWLEY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 5,960,447	\$ 4,562,535	\$ 81,003	\$ 409,581
Public safety	9,188,432	552,395	745,238	
Culture and leisure	2,651,729	119,383	9,924	2,438,238
Community development	1,752,358	1,943,362	234,477	
Streets and highways	2,970,925	866,142	606,481	415,588
Total governmental activities	22,523,891	8,043,817	1,677,123	3,263,407
Business-type Activities:				
Water	5,675,966	5,674,398		
Wastewater	4,526,673	4,986,992		
Solid Waste	1,354,878	1,349,541		
Airport	679,727			38,819
Total business-type activities	12,237,244	12,010,931		38,819
Total primary government	\$ 34,761,135	\$ 20,054,748	\$ 1,677,123	\$ 3,302,226

General Revenues:

Taxes:

- Utility users taxes
- Transient lodging taxes
- Franchise taxes
- Business license taxes

Intergovernmental (unrestricted):

- Shared property taxes
- Shared sales and use taxes
- Other

Use of money and property

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of fiscal year, restated

Net position - end of fiscal year

See Notes to Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (907,328)	\$ -	\$ (907,328)
(7,890,799)		(7,890,799)
(84,184)		(84,184)
425,481		425,481
(1,082,714)		(1,082,714)
(9,539,544)		(9,539,544)
	(1,568)	(1,568)
	460,319	460,319
	(5,337)	(5,337)
	(640,908)	(640,908)
	(187,494)	(187,494)
(9,539,544)	(187,494)	(9,727,038)
1,739,696		1,739,696
357,722		357,722
567,363		567,363
42,842		42,842
3,894,045		3,894,045
3,154,153		3,154,153
60,315		60,315
504,809	425,050	929,859
(227,538)	227,538	
10,093,407	652,588	10,745,995
553,863	465,094	1,018,957
37,417,522	59,888,505	97,306,027
\$ 37,971,385	\$ 60,353,599	\$ 98,324,984

CITY OF BRAWLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	Special Revenue Funds		
	General	Economic & Community Development	SB 325
ASSETS			
Cash and investments	\$ 1,577,557		\$ 9,607,606
Restricted cash and investments with fiscal agents		4,493	
Interest receivable	925	526,640	28,680
Accounts receivable	34,453		
Due from other governments	925,445	28,007	
Due from other funds	2,253,059		
Notes receivable		7,493,337	
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,791,439</u>	<u>\$ 8,052,477</u>	<u>\$ 9,636,286</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 534,485		\$ 4,426
Deposits payable	2,411,230		326,342
Unearned revenue	33,995		9,000,000
Due to other funds		170,382	
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>2,979,710</u>	<u>170,382</u>	<u>9,330,768</u>
Deferred inflows of resources			
Unavailable revenue		526,125	
	<u> </u>	<u> </u>	<u> </u>
Fund balances:			
Restricted for:			
Streets and roads			305,518
Public safety			
Community development		7,355,970	
CFD improvements and maintenance			
Library	57,965		
Unassigned	1,753,764		
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,811,729</u>	<u>7,355,970</u>	<u>305,518</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,791,439</u>	<u>\$ 8,052,477</u>	<u>\$ 9,636,286</u>

See Notes to Basic Financial Statements

<u>Capital Project Fund</u>		
<u>Park Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$ 9,116,174	\$ 20,301,337
	85,549	90,042
	20,398	576,643
1,845,238	888	1,880,579
	635,355	1,588,807
		2,253,059
		7,493,337
<u>\$ 1,845,238</u>	<u>\$ 9,858,364</u>	<u>\$ 34,183,804</u>
\$ 193,314	\$ 132,136	\$ 864,361
		2,737,572
	331,125	9,365,120
1,976,992	341	2,147,715
<u>2,170,306</u>	<u>463,602</u>	<u>15,114,768</u>
<u>1,845,238</u>		<u>2,371,363</u>
	4,926,445	5,231,963
	132,098	132,098
	3,720,706	11,076,676
	619,109	619,109
		57,965
(2,170,306)	(3,596)	(420,138)
<u>(2,170,306)</u>	<u>9,394,762</u>	<u>16,697,673</u>
<u>\$ 1,845,238</u>	<u>\$ 9,858,364</u>	<u>\$ 34,183,804</u>

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CITY OF BRAWLEY
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2017

Fund balances of governmental funds	\$ 16,697,673
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of accumulated depreciation have not been included as financial resources in the governmental funds.	30,857,190
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.	
Pension related deferred outflows	6,263,306
Pension related deferred inflows	(1,332,158)
Long-term debt and compensated absences have not been included in the governmental funds.	
Net pension liability	(18,980,590)
Compensated absences	(1,257,407)
Internal service funds are used by management to charge the costs of certain activities, such as maintenance and risk management, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.	3,352,008
In governmental funds, certain accrued interest receivable on notes receivable and accounts receivable are not available to pay for current period expenditures and, therefore, are offset by unavailable revenue in the governmental funds.	<u>2,371,363</u>
Net position of governmental activities	<u>\$ 37,971,385</u>

See Notes to Basic Financial Statements

CITY OF BRAWLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds		
	General	Economic & Community Development	SB 325
REVENUES			
Taxes:			
Utility users	\$ 1,739,696	\$ -	\$ -
Transient lodging	357,722		
Franchise	567,363		
Business license	42,842		
Property			
Licenses and permits	16,976		
Fines and forfeitures	31,339		
Use of money and property	76,792	31,906	103,225
Intergovernmental	7,108,513		
Charges for services	3,881,837		
Miscellaneous	149,414		
Total revenues	<u>13,972,494</u>	<u>31,906</u>	<u>103,225</u>
EXPENDITURES			
Current:			
General government	2,546,005		
Public safety	9,103,288		
Culture and leisure	2,382,638		
Community development	1,393,730	9,141	
Transportation			291
Capital outlay		34,918	
Total expenditures	<u>15,425,661</u>	<u>44,059</u>	<u>291</u>
Excess of revenues over (under) expenditures	<u>(1,453,167)</u>	<u>(12,153)</u>	<u>102,934</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	334,782		
Transfers out	(737,500)	(227,538)	
Total other financing sources (uses)	<u>(402,718)</u>	<u>(227,538)</u>	
Net change in fund balances	(1,855,885)	(239,691)	102,934
Fund Balances - July 1, 2016, Restated	<u>3,667,614</u>	<u>7,595,661</u>	<u>202,584</u>
Fund Balances - June 30, 2017	<u>\$ 1,811,729</u>	<u>\$ 7,355,970</u>	<u>\$ 305,518</u>

See Notes to Basic Financial Statements

<u>Capital Projects Fund</u>		
<u>Park Projects</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ -	\$ -	\$ 1,739,696
		357,722
		567,363
		42,842
	139,202	139,202
		16,976
		31,339
	77,323	289,246
379,900	2,349,486	9,837,899
	813,433	4,695,270
	104,000	253,414
<u>379,900</u>	<u>3,483,444</u>	<u>17,970,969</u>
		2,546,005
	252,717	9,356,005
39,234		2,421,872
	100,105	1,502,976
	1,225,719	1,226,010
2,508,395	1,235,644	3,778,957
<u>2,547,629</u>	<u>2,814,185</u>	<u>20,831,825</u>
<u>(2,167,729)</u>	<u>669,259</u>	<u>(2,860,856)</u>
	198,976	533,758
	(533,758)	(1,498,796)
	(334,782)	(965,038)
(2,167,729)	334,477	(3,825,894)
(2,577)	9,060,285	20,523,567
<u>\$ (2,170,306)</u>	<u>\$ 9,394,762</u>	<u>\$ 16,697,673</u>

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CITY OF BRAWLEY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2017

Net change in fund balances - total governmental funds	\$ (3,825,894)
Amounts reported for governmental activities in the statement of activities differ because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	730,361
Certain receivables are reported on the government-wide statements but not on the funds because they are not available to pay for current expenditures. This is the net change in receivables for the current period.	1,845,238
Interest accrued on certain notes receivable are not reported as revenue on the governmental funds as they do not provide the City with current financial resources. When the interest is collected when the note becomes due, the amounts will be reflect in revenue. This is current year change in unavailable revenue.	13,407
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net position.	
Repayment of capital lease	19,526
The amounts below included in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These are the current year changes:	
Interest payable	626
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was:	1,332,675
Internal service funds are used by management to charge the costs of certain activities, such as maintenance and risk management, to individual funds. The net revenues (expenses) of the internal service funds is reported under governmental activities.	<u>437,924</u>
Change in net position of governmental activities	<u>\$ 553,863</u>

See Notes to Basic Financial Statements

CITY OF BRAWLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities	
	Enterprise Funds	
	Water	Wastewater
ASSETS		
Current Assets:		
Cash and investments	\$ 4,048,140	\$ 10,820,494
Accounts receivable, net	859,386	18,632
Interest receivable	14,878	33,224
Due from other governments		592,331
Notes receivable		
Prepaid expenditures		
Total current assets	4,922,404	11,464,681
Noncurrent Assets:		
Restricted cash and investments with fiscal agents		238,682
Advances to other funds		1,220,961
Capital assets not being depreciated	300,456	141,556
Capital assets, net of accumulated depreciation	25,061,152	33,807,772
Total noncurrent assets	25,361,608	35,408,971
Deferred Outflows of Resources:		
Pension related	414,692	298,730
LIABILITIES		
Current Liabilities:		
Accounts payable	118,502	85,703
Interest payable	25,181	11,515
Deposits payable	590,843	6,930
Due to other funds		
Current portion of long term debt	1,707,568	892,957
Total current liabilities	2,442,094	997,105
Noncurrent liabilities:		
Compensated absences	99,375	91,407
Claims payable		
Contracts payable, net of deferred gain and unamortized discount	3,516,437	729,253
Note payable, net of unamortized premium	1,717,162	
Advances from other funds	1,220,961	
Net Pension Liability	1,417,526	1,022,313
Bonds payable		10,558,034
Total noncurrent liabilities	7,971,461	12,401,007
Total liabilities	10,413,555	13,398,112
Deferred Inflows of Resources:		
Pension related	123,497	89,066
Total Deferred Inflows of Resources	123,497	89,066
Total liabilities and deferred inflows of resources	10,537,052	13,487,178
NET POSITION		
Net investment in capital assets	18,445,285	22,030,618
Restricted for debt service		227,167
Unrestricted	1,716,367	11,427,419
Total net position	\$ 20,161,652	\$ 33,685,204

See Notes to Basic Financial Statements

Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
Solid Waste	Airport	Totals	
\$ 184,482	\$ 156,373	\$ 15,209,489	\$ 1,776,428
31,037	9,440	918,495	
	592	48,694	3,108
	303	592,634	166,518
			184,105
			145,727
215,519	166,708	16,769,312	2,275,886
		238,682	
		1,220,961	
	1,950	443,962	
	6,332,391	65,201,315	1,304,979
	6,334,341	67,104,920	1,304,979
		713,422	
191,120	14,385	409,710	95,855
		36,696	
	4,320	602,093	105,344
		2,600,525	
191,120	18,705	3,649,024	201,199
		190,782	20,976
			6,682
		4,245,690	
		1,717,162	
		1,220,961	
		2,439,839	
		10,558,034	
		20,372,468	27,658
191,120	18,705	24,021,492	228,857
		212,563	
		212,563	
191,120	18,705	24,234,055	228,857
	6,334,341	46,810,244	1,304,979
		227,167	
24,399	148,003	13,316,188	2,047,029
\$ 24,399	\$ 6,482,344	\$ 60,353,599	\$ 3,352,008

CITY OF BRAWLEY**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

For the Fiscal Year Ended June 30, 2017

	Business-Type Activities Enterprise Funds	
	Water	Wastewater
Operating Revenues:		
Charges for services (net of refunds)	\$ 5,674,398	\$ 4,986,992
Total operating revenues	5,674,398	4,986,992
Operating Expenses:		
Salary and benefits	1,392,559	825,525
Administration	207,834	275,169
Supplies and services	2,502,617	2,237,417
Depreciation	1,349,928	1,043,303
Total operating expenses	5,452,938	4,381,414
Operating income (loss)	221,460	605,578
Non-Operating Revenues (Expenses):		
Use of money and property	60,492	116,097
Amortization	124,806	
Intergovernmental revenue		
Interest expense and fiscal charges	(223,028)	(145,259)
Total non-operating revenues (expenses)	(37,730)	(29,162)
Income (Loss) before transfers	183,730	576,416
Transfers:		
Transfers in		227,538
Changes in net position	183,730	803,954
Total Net Position - beginning, restated	19,977,922	32,881,250
Total Net Position - ending	\$ 20,161,652	\$ 33,685,204

See Notes to Basic Financial Statements

Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
Solid Waste	Airport	Totals	
\$ 1,349,541	\$ -	\$ 12,010,931	\$ 3,273,522
1,349,541		12,010,931	3,273,522
	2,310	2,220,394	216,204
	4,856	487,859	
1,354,878	208,241	6,303,153	3,366,438
	464,320	2,857,551	192,612
1,354,878	679,727	11,868,957	3,775,254
(5,337)	(679,727)	141,974	(501,732)
335	123,320	300,244	202,156
		124,806	
	38,819	38,819	
		(368,287)	
335	162,139	95,582	202,156
(5,002)	(517,588)	237,556	(299,576)
		227,538	737,500
(5,002)	(517,588)	465,094	437,924
29,401	6,999,932	59,888,505	2,914,084
\$ 24,399	\$ 6,482,344	\$ 60,353,599	\$ 3,352,008

CITY OF BRAWLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017

	Business-Type Activities Enterprise Funds	
	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 5,473,018	\$ 4,984,477
Cash payments to suppliers for goods and services	(3,495,161)	(2,612,641)
Cash payments for employees and benefit programs	(1,369,557)	(808,590)
Net cash provided (used) by operating activities	608,300	1,563,246
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers		227,538
Interfund borrowing (repayment)		98,676
Cash received (payments) from (to) other governments		
Loan repayment		
Net cash provided (used) by non-capital financing activities		326,214
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash received (payments) from (to) other governments		
Purchase of capital assets	(527,950)	(237,553)
Loan repayment	(98,671)	
Principal paid on debt	(749,965)	(858,820)
Interest paid on debt and fiscal charges	(35,531)	(145,260)
Net cash provided (used) by capital and related financing activities	(1,412,117)	(1,241,633)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	56,121	103,024
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(747,696)	750,851
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	4,795,836	10,308,325
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	\$ 4,048,140	\$ 11,059,176
Reconciliation to Statement of Net Position:		
Cash and investments	\$ 4,048,140	\$ 10,820,494
Restricted cash and investments with fiscal agents		238,682
CASH AND CASH EQUIVALENTS	\$ 4,048,140	\$ 11,059,176

See Notes to Basic Financial Statements

Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
Solid Waste	Airport	Totals	
\$ 1,347,905 (1,163,758)	\$ (9,440) (211,596) (2,310)	\$ 11,795,960 (7,483,156) (2,180,457)	\$ 3,273,522 (2,022,153) (216,204)
184,147	(223,346)	2,132,347	1,035,165
		227,538	737,500
	(590,438)	(491,762)	(1,188,094)
			291
			122,386
	(590,438)	(264,224)	(327,917)
	847,430	847,430	(11,138)
		(765,503)	
		(98,671)	
		(1,608,785)	
		(180,791)	
	847,430	(1,806,320)	(11,138)
335	122,727	282,207	200,822
184,482	156,373	344,010	896,932
		15,104,161	879,496
\$ 184,482	\$ 156,373	\$ 15,448,171	\$ 1,776,428
\$ 184,482	\$ 156,373	\$ 15,209,489	\$ 1,776,428
		238,682	
\$ 184,482	\$ 156,373	\$ 15,448,171	\$ 1,776,428

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CITY OF BRAWLEY
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2017

	<u>Private Purpose Trust Fund</u>
	<u>RDA</u>
	<u>Successor Agency</u>
ASSETS	
Cash and investments	\$ 331,563
Interest receivable	712
Land held for resale	<u>1,081,003</u>
Total Assets	<u>1,413,278</u>
LIABILITIES	
Accounts payable	18,343
Interest payable	69,682
Deposits payable	359
Long-term debt, due within one year	162,697
Long-term debt, due in more than one year	<u>4,366,238</u>
Total Liabilities	<u>4,617,319</u>
NET POSITION (DEFICIT)	
Unrestricted	<u>(3,204,041)</u>
Total Net Position (Deficit)	<u>\$ (3,204,041)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BRAWLEY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2017

	<u>Private Purpose Trust Fund</u>
	<u>RDA</u>
	<u>Successor</u>
	<u>Agency</u>
Additions:	
Tax increment	\$ 495,715
Other revenue	2,673
	<u>498,388</u>
Deductions:	
Community development	2,275
Interest	161,145
Administrative expense	185,719
	<u>349,139</u>
Change in net position	149,249
Net Position (Deficit) - July 1, 2016	<u>(3,353,290)</u>
Net Position (Deficit) - June 30, 2017	<u>\$ (3,204,041)</u>

The notes to the financial statements are an integral part of this statement.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Brawley (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below:

A. Financial Reporting Entity

The City of Brawley is located in the southeastern part of the State of California, in the center of Imperial County, which with water provided by canal from the Colorado River, makes this one of the most fertile agricultural areas in the country. The City was incorporated on April 6, 1908, under the general laws of the State of California and enjoys all the rights and privileges pertaining to “General Law” cities.

The City is governed by a five member Council, elected at large for four years on staggered schedules. The Council selects the Mayor from its members, generally for a one year term. The Council has hired a City Manager to administer the daily affairs of the City.

The services provided by the City include police, fire, street maintenance, parks, recreation, library, water, wastewater, solid waste, airport, housing, planning, building inspection, and general administrative services.

These basic financial statements present the financial status of the City and its component units, which are included in the City’s reporting entity because of the significance of their operational or financial relationships with the City. Component unit financial statements may be obtained from the City’s Department of Finance.

Blended Component Units – Blended component units, although legally separate entities, are, in substance, part of the City’s operations.

Brawley Public Improvement Corporation – The Brawley Public Improvement Corporation was formed in October 1986 to issue certificates of participation to finance the construction of a wastewater treatment facility and issued additional certificates of participation in 1997 to finance a new water treatment plant. The only financial activity of the Public Improvement Corporation is the issuance and repayment of the certificates of participation and receipt of lease payments from the City pursuant to lease agreements between the City and the Public Improvement Corporation. Although it is legally separate from the City, the Public Improvement Corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct public facilities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. The effect of interfund activity has been removed from these statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the City's governmental activities. Direct expenses are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational need of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

Proprietary fund financial statements include a Statement of Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

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

C. Major Funds

GASB Statement No. 34, defines major funds and requires that the City's major governmental funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Major Funds (Continued)

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund

This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.

Economic and Community Development Fund

This fund accounts for revenues and expenditures of the Community Development Block Grant program and the related program income.

SB 325 Special Revenue Fund

This fund accounts for revenue received from the State under Article 8(a) of the Transportation Development Act (Section 99400(a) of the Public Utilities Code). Uses are restricted to local streets and roads.

Park Projects Capital Projects Fund

This fund accounts for Parkland dedication fees prescribed by the Quimby Act and other revenues designated for improvements to public parks.

The City reported the following major proprietary funds:

Water Fund

This fund accounts for the costs of treatment and distribution of drinking water to the community.

Wastewater Fund

This fund accounts for the costs of collection, treatment and disposal of sewage generated in the community.

Solid Waste Fund

This fund accounts for the costs of collection and disposal of trash and garbage generated in the community.

Airport Fund

This fund accounts for the costs of the City owned municipal airport. Although the amounts are not as significant as the other proprietary funds, this is the only other proprietary fund maintained by the City.

The City reported the following internal service funds:

Internal Service Funds

These funds account for maintenance of the City's fleet of vehicles and certain public facilities, and the costs of providing insurance, including risks maintained by the City, for general liability, property damage, unemployment benefits, workers' compensation, and employee health benefits.

D. Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The government-wide, proprietary and fiduciary funds financial statements are reported using the *economic resources measurement focus* and *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Revenues susceptible to accrual are property taxes and interest revenue. Sales taxes, and other amounts collected and held by the state at fiscal year end on behalf of the City also are recognized as revenue. Fines, licenses, permits and other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures/expenses. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures and funds for the Successor Agency to the Brawley Community Redevelopment Agency. Cash equivalents have an original maturity date of three months or less from the date of purchase.

F. Cash and Investments

Most cash balances of the City's funds and some of its component units are pooled and invested by the City Treasurer. Unless otherwise dictated by legal or contractual requirements, income earned or losses arising from the investment pooled cash are allocated on a monthly basis to the participating funds and component units based on their proportionate shares of the average weekly cash balance.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy as follows: Level 1 – Investments reflect prices quoted in active markets; Level 2 – Investments reflect prices that are based on similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and Level 3 – Investments reflect prices based upon unobservable sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Revenue Recognition

Revenue from taxpayer-assessed taxes (sales and use, business license, gas, and franchise fees) is accrued in the Governmental Funds when they are both measurable and available. The City considers these taxes available if they are received within 30 days after fiscal year end.

Grants, entitlements, or shared revenues are recorded as receivables and revenues in the General, Special Revenue, and Capital Projects Funds when they are received or susceptible to accrual. Grants awarded for Proprietary Funds are recorded as receivables and nonoperating revenues when they are earned and are measurable.

Utility service accounts receivable are reported net of allowance for doubtful collections.

H. Interfund Transactions

Activities between funds that are representative of lending/borrowing outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

With Council approval, resources may be transferred from one City fund to another. Transfers are used to (1) move revenues from one fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in the other funds in accordance with budget authorizations.

I. Property Tax

The City's property taxes are levied on the first day of January by the County assessor, and are payable to the County tax collector in two installments.

The first installment is due November 1st, and is delinquent after December 10th; the second installment is due February 1st and is delinquent after April 10th. Taxes become a lien on the property on January 1st, and on the date of the transfer of the title, and the date of new construction.

The minimum property value which is taxed is \$2,000; however, tax bills are prepared for properties valued at less than \$2,000 if there is a special assessment to be collected.

Article 13A of the California Constitution states: “The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent tax is to be collected by the Counties and appointed according to law to the districts within the counties.”

The City has elected under State law (TEETER) to receive all of the annual property assessments in three installments as follows:

December	55%
April	40%
June	5%
	<u>100%</u>

J. Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories for governmental funds are recorded as expenditures when consumed rather than when purchased.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 for property, plant, and equipment and \$25,000 for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the City, as well as the component units, are depreciated using the straight line method over their estimated lives of 2 to 50 years.

M. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits and sick leave. All vacation and sick leave benefits are accrued as earned by employees. All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds if they have matured, for example, as a result of employee resignation and retirements.

N. Self-insurance

The City is self-insured for worker's compensation, general liability, auto liability, and certain other risks. The City's workers' compensation activities are funded and accounted for separately in the fund financial statements based upon the activities of each fund. The current portion of claims liability are accounted for in the General Fund and the enterprise funds on the basis of settlements reached or judgments entered within the current fiscal year. In the government-wide financial statements and the enterprise fund financial statements, the estimated liability for all self-insurance liability claims is recorded as a liability.

O. Long-term Debt, Discount, Premiums, and Issuance Costs

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Equity

In the government-wide financial statements and proprietary fund financial statements, net position is reported in three categories under GASB Statement No. 34. These captions apply only to net position, which are determined only at the government-wide level, proprietary funds, and fiduciary funds are described below.

Net Investment in Capital Assets describes the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and gas tax funds for street construction.

Unrestricted describes the portion of net position which is not restricted as to use.

Q. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, require management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

R. Fiscal Year

The fiscal year of the City begins on July 1 and ends on June 30.

S. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

T. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the City's highest level of decision-making authority (the City Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- Assigned fund balance – amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.
- Unassigned fund balance – the residual classification for the City's funds that include amounts not contained in the other classifications.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Fund Balance (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

U. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s defined benefit retirement plans, Miscellaneous and Public Safety, of the California Employees’ Retirement System (“CalPERS”) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

V. Deferred Outflows and Inflows of Resources

The City recognizes deferred outflows and inflows of resources. Deferred outflow and inflow of resources are defined as a consumption or resource of net position by the government that is applicable to a future report period. Pursuant to GASB Statements 68 and 71, the City recognizes deferred outflows/inflows of resources related to pensions.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The City Council is required to adopt an annual budget resolution by July 1st of each fiscal year for the General Fund, special revenue, capital projects, debt service, and enterprise funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The City Council made several supplemental budgetary appropriations throughout the fiscal year.

B. Deficit Fund Balances

At June 30, 2017, the following funds had an accumulated deficit:

Fund	Amount
Successor Agency Housing Fund	\$ 3,596
Parks Projects Fund	2,170,306
<u>Internal Service Fund:</u>	
Risk Management Fund	28,114

This fund balance deficit is primarily due to the City incurring costs in excess of revenues. The Funds should alleviate this deficit as revenues are received.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2017, the following funds had excess of expenditures over appropriations:

Fund	Final Appropriation	Expenditures	Excess
<u>Major Fund:</u>			
General Fund			
Public safety	\$ 9,018,265	\$ 9,103,288	\$ 85,023
Economic and Community Development Fund			
Capital Outlay		34,918	34,918
Transfers out		227,538	227,538

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 37,287,254
Restricted cash and investments with fiscal agent	328,724
Fiduciary Fund:	
Cash and investments	331,563
Total cash and investments, Statement of Net Position	<u>\$ 37,947,541</u>

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 4,175
Deposits with financial institutions	7,135,386
Investments	30,807,980
Total cash and investments	<u>\$ 37,947,541</u>

A. Investments Authorized by the California Government Code and the City's Investment Policy

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Government Bonds	5 years	80%	Less than 80%
U.S. Treasury Obligations	5 years	80%	Less than 80%
U.S. Government Agency Issues	5 years	80%	Less than 80%
Banker's Acceptances	180 days	40%	30%
Commercial Paper, Prime Quality	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (State Pool)	N/A	None	\$ 40 Million

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

B. Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Mortgage-backed Securities	3 years	None	None
Banker’s Acceptances	360 days	None	None
Commercial Paper	None	None	None
Negotiable Certificates of Deposit	None	None	None
Investment Agreements	None	None	None
Repurchase Agreements	30 days	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (State Pool)	N/A	None	None

C. Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
State Investment Pool (LAIF)	\$ 16,545,378	\$ 16,545,378	\$ -	\$ -
Certificates of Deposit	11,567,620	2,508,239	1,475,334	7,584,047
Federal Agency Securities	1,446,158			1,446,158
Money Market Funds	1,010,135	1,010,135		
Held by Bond Trustees:				
Money Market Mutual Funds	238,689	238,689		
	<u>\$ 30,807,980</u>	<u>\$ 20,302,441</u>	<u>\$ 1,475,334</u>	<u>\$ 9,030,205</u>

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

E. Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>				
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>	
State Investment Pool	\$ 16,545,378	N/A	\$ -	\$ -	\$ -	\$ -	\$ 16,545,378	
Certificates of Deposit	11,567,620	N/A					11,567,620	
Federal Agency Securities	1,446,158	N/A			1,446,158			
Money Market Funds	1,010,135	N/A					1,010,135	
Held by Bond Trustee:								
Money Market Mutual Funds	238,689	N/A					238,689	
Total	\$ 30,807,980		\$ -	\$ -	\$ 1,446,158	\$ -	\$ 29,361,822	

F. Concentration of Credit Risk

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

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2017, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California and operates in accordance with appropriate state laws and regulations. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The reported value of the pool is the same as the fair value of the pool shares. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Deposits and withdrawals are made on the cost basis and not fair value.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy as follows: Level 1 – Investments reflect prices quoted in active markets; Level 2 – Investments reflect prices that are based on similar observable assets either directly or indirectly, which may include inputs in markets that are not considered active; and Level 3 – Investments reflect prices based upon unobservable sources. The City has the following recurring fair value measurements as of June 30, 2017:

<u>Pooled investments by fair value hierarchy</u>	Total	FMV Measurement
		Level 2
Investments subject to fair value hierarchy:		
Negotiable Certificates of Deposit	11,567,620	11,567,620
Federal Agency Securities	1,446,158	1,446,158
Total Investments measured at fair value hierarchy	13,013,778	13,013,778
Investments measured using uncategorized inputs:		
State Investment Pool (LAIF)	16,545,378	
Money Market Mutual Funds	1,010,135	
Total investments not subject at fair value hierarchy	17,555,513	
 Total pooled investments	 30,569,291	
<u>Investments with fiscal agent not subject to fair value level</u>		
Money Market Mutual Funds	238,689	
Total investments with fiscal agent not subject to fair value level	238,689	
 Total investments	 30,807,980	

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Long-Term Advances

Advances to/from other funds are non-current interfund loans and are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriations and are not expendable available financial resources. Repayments for the following long-term advance will be made when excess net revenue is available.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise Fund: Wastewater Fund	Enterprise Fund: Water Fund	\$ 1,220,961

B. Interfund Receivables and Payables

During the course of normal operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds”. The following presents a summary of current interfund balances at June 30, 2017.

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Governmental Fund:		Major Governmental Fund:	
General Fund	\$ 2,253,059	Park Projects	\$ 1,976,992
	\$ 2,253,059	Economic and Community Development	170,382
		Non-major Governmental Fund:	
		Successor Agency Housing	341
		Internal Service Fund:	
		Risk Management	105,344
		Total	\$ 2,253,059

All interfund balances listed above are short term borrowings due to cash needs and will be repaid with the next fiscal year.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

C. Interfund Transfers

Transfers are utilized for funding for capital projects, lease payments or debt service, subsidies of various City operations, and re-allocations of special revenues. All inter-fund transfers between individual government funds have been eliminated on the government-wide statements. The City had the following transfers during fiscal year ended June 30, 2017.

Fund	Transfers-in	Transfers-out
Major Governmental Funds:		
General Fund	\$ 334,782	\$ 737,500
Economic and Community Development Fund		227,538
Major Enterprise Funds:		
Wastewater Fund	227,538	
Nonmajor Governmental Funds:		
Gas Tax Special Revenue Fund		89,693
Measure D Special Revenue Fund		109,282
Law Enforcement Special Revenue Fund		255,766
Assessment Districts Special Revenue Fund		79,017
Streets Capital Projects Fund	198,976	
Internal Service Fund:		
Maintenance	737,500	
Totals	<u>\$ 1,498,796</u>	<u>\$ 1,498,796</u>

Transfer of \$79,017 was made from the Assessment Districts Special Revenue Fund to the General Fund for allocation of administrative costs.

Transfer of \$255,766 was made from Law Enforcement Special Revenue Fund to the General Fund for allocation of administrative costs.

Transfer of \$737,500 was made from the General Fund to the Maintenance Internal Service Fund to fund future equipment and IT projects.

Transfers from the Gas Tax Special Revenue Fund (\$89,693) and from the Measure D Special Revenue Fund (\$109,282) were made to the Streets Capital Projects Fund as contributions for projects.

Transfer of \$227,538 was made from the Economics and Community Development Fund to the Wastewater Fund for reimbursement of costs.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 – LOANS RECEIVABLE

Loans receivable amounts primarily represent loans made for economic development, and property rehabilitation.

Economic & Community Development Special Revenue Fund

CDBG loan to Valley Lube & Wash, receivable in installments of \$1,110 per month including interest at 6%. Secured by deed of trust. \$ 97,972

Loan to Inferno 800. Secured by deed of trust. 49,505

HOME Investment Partnerships Program Loan to BESA, L.P., C/O Chelsea Investment Corporation. Annual payments are in the amount equal to 50% of the residual receipts from the apartment complex. Payments are due 90 days following the end of the calendar year with respect to the preceding year. 3,400,000

Loan to Edward and Martha Singh receivable in the installment of \$756 per month including interest at 6.5%. Secured by deed of trust. 42,409

Deferred notes receivable. No installment payments of principal or interest are required until the loans reach their maturity or underlying property is sold. Secured by deeds of trust. Details of loans by program are listed below:

Program Name	Balance
04-STBG-1952	779,736
04-STBG-1877	45,579
03-STBG-1804	241,453
STBG 2002-1688	250,147
01-STBG-1569	145,298
STBG-2000-1453	154,926
STBG-1995-1345	50,476
1997 Grant	113,948
STBG 1996	89,590
STBG 1994	69,392
STBG 1993	52,431
1991 Grant	54,762
1990 Grant	32,167
STBG 304	28,671
Community Development Grants	250,383
First Time Home Buyer	830,327
05-CalHOME-134	168,383
06-CalHOME-261	89,767
11-HOME-7664	349,942
Misc. loans	106,073
Total	3,903,451
Total Loans Receivable	\$ 7,493,337

To assist in the construction of this apartment complex, the City received a grant from the Home Investment Partnerships (HOME) Program, and \$3,400,000 of the grant was loaned to the developer. The terms of the loan provide for an interest rate of 1 percent and a repayment term of 55 years, with payments to be made from the “residual receipts” of the project as defined in the loan agreement.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance as of July 1, 2016, Restated	Additions	Deletions	Transfers	Balance as of June 30, 2017
Governmental Activities					
Nondepreciable capital assets					
Land	\$ 966,706	\$ -	\$ -	\$ -	\$ 966,706
Construction in progress	2,902,136	2,540,167		(990,470)	4,451,833
Total nondepreciable capital assets	<u>3,868,842</u>	<u>2,540,167</u>		<u>(990,470)</u>	<u>5,418,539</u>
Depreciable capital assets					
Equipment	9,108,002	105,793			9,213,795
Buildings	12,036,575			454,060	12,490,635
Improvements other than buildings	15,177,620	895,514		536,410	16,609,544
Infrastructure	20,314,587				20,314,587
Total depreciable capital assets	<u>56,636,784</u>	<u>1,001,307</u>	<u>-</u>	<u>990,470</u>	<u>58,628,561</u>
Less accumulated depreciation					
Equipment	(6,530,495)	(538,185)			(7,068,680)
Buildings	(3,860,387)	(390,031)			(4,250,418)
Improvements other than buildings	(5,658,951)	(834,200)			(6,493,151)
Infrastructure	(12,842,511)	(1,230,171)			(14,072,682)
Total accumulated depreciation	<u>(28,892,344)</u>	<u>(2,992,587)</u>	<u>-</u>		<u>(31,884,931)</u>
Net depreciable capital assets	<u>27,744,440</u>	<u>(1,991,280)</u>	<u>-</u>	<u>990,470</u>	<u>26,743,630</u>
Net capital assets	<u>\$ 31,613,282</u>	<u>\$ 548,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,162,169</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 498,764
Public safety	498,764
Streets and public works	1,496,294
Parks and recreation	249,383
Community development	249,382
Total	<u>\$ 2,992,587</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Balance as of July 1, 2016	Additions	Deletions	Transfers	Balance as of June 30, 2017
Business-type Activities					
Nondepreciable capital assets					
Land	\$ 37,076	\$ -	\$ -	\$ -	\$ 37,076
Construction in progress	1,333,465	224,543		(1,151,122)	406,886
Total nondepreciable capital assets	<u>1,370,541</u>	<u>224,543</u>		<u>(1,151,122)</u>	<u>443,962</u>
Depreciable capital assets					
Equipment	3,236,127	13,010			3,249,137
Buildings	56,462,194				56,462,194
Improvements other than buildings	11,695,615	527,943		1,151,122	13,374,680
Conveyance systems	34,823,573				34,823,573
Total depreciable capital assets	<u>106,217,509</u>	<u>540,953</u>		<u>1,151,122</u>	<u>107,909,584</u>
Less accumulated depreciation					
Equipment	(2,148,975)	(166,968)			(2,315,943)
Buildings	(17,782,014)	(1,421,159)			(19,203,173)
Improvements other than buildings	(3,815,537)	(544,354)			(4,359,891)
Conveyance systems	(16,104,192)	(725,070)			(16,829,262)
Total accumulated depreciation	<u>(39,850,718)</u>	<u>(2,857,551)</u>			<u>(42,708,269)</u>
Net depreciable capital assets	<u>66,366,791</u>	<u>(2,316,598)</u>		<u>1,151,122</u>	<u>65,201,315</u>
Net capital assets	<u>\$ 67,737,332</u>	<u>\$ (2,092,055)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,645,277</u>

Depreciation expense was charged to functions/programs of the business-types activities as follows:

Water	\$ 1,349,928
Wastewater	1,043,303
Airport	<u>464,320</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 2,857,551</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 –LONG-TERM DEBT

Governmental Activities

The following is a summary of long-term debt activity of the City’s governmental activities for the fiscal year ended June 30, 2017:

	Balance as of July 1, 2016	Additions	Reductions	Balance as of June 30, 2017	Due Within One Year
Governmental Activities:					
Capital lease	\$ 19,526	\$ -	\$ (19,526)	\$ -	\$ -
Net pension liability	15,664,784	3,315,806	-	18,980,590	-
Compensated absences	1,278,498	193,610	(193,725)	1,278,383	193,725
Total long-term liabilities	<u>\$ 16,962,808</u>	<u>\$ 3,509,416</u>	<u>\$ (213,251)</u>	<u>\$ 20,258,973</u>	<u>\$ 193,725</u>

Capital Lease

The City has entered into a lease agreement as lessee for financing the acquisition of a park facility lighting system having a purchase price of \$149,731. This lease was paid off during the fiscal year ended June 30, 2017.

Business-Type Activities

The following is a summary of long-term debt activity of the City’s business-type activities for the fiscal year ended June 30, 2017:

	Balance as of July 1, 2016	Additions	Reductions	Balance as of June 30, 2017	Due Within One Year
Business-type Activities:					
<i>Water Fund</i>					
Contracts payable #1	\$ 4,351,454	\$ -	\$ (395,586)	\$ 3,955,868	\$ 1,186,761
Deferred gain	279,420	-	(94,656)	184,764	75,876
Unamortized discount	(475,150)	-	159,370	(315,780)	(128,722)
Contracts payable #2	1,238,252	-	(103,188)	1,135,064	309,564
Deferred gain	96,792	-	(30,150)	66,642	24,767
Unamortized discount	(96,792)	-	30,150	(66,642)	(24,767)
MFC Note payable	2,180,000	-	(230,991)	1,949,009	237,387
Unamortized premium	9,418	-	(2,020)	7,398	1,858
Bonds payable	20,200	-	(20,200)	-	-
<i>Wastewater Fund</i>					
Contracts payable	1,066,545	-	(166,465)	900,080	170,827
CSWRCB Loan	11,949,667	-	(692,355)	11,257,312	699,278
Net pension liability	1,933,941	505,898	-	2,439,839	-
Compensated absences	221,820	57,202	(40,544)	238,478	47,696
Total long-term liabilities	<u>\$ 22,775,567</u>	<u>\$ 563,100</u>	<u>\$ (1,586,635)</u>	<u>\$ 21,752,032</u>	<u>\$ 2,600,525</u>

Water Enterprise Fund: Contracts Payable #1 and Defeased Certificates of Participation

On May 5, 1998, the Brawley Public Improvement Corporation sold Certificates of Participation in the amount of \$17,755,000 with an average interest rate of 4.88% to advance refund \$17,755,000 of then outstanding 1996 Certificates of Participation with an average interest rate of 6.27%. As a result, the 1996 Certificates are considered to be defeased and the liability for those certificates has been removed from the Water Enterprise Fund.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Water Enterprise Fund: Contracts Payable #1 and Defeased Certificates of Participation (Continued)

On July 2, 2001, the City borrowed \$15,823,475 from the California Department of Water Resources (DOWR), at an interest rate of 0 %, to advance refund \$16,050,000 of outstanding 1998 Certificates of Participation with an average interest rate of 4.88 %. The proceeds were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 Certificates of Participation. As a result, the 1998 Certificates are considered to be defeased and the liability for those certificates has been removed from the Water Enterprise Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,119,886. This difference, to be reported in the financial statements as a deduction from contracts payable, is being charged to operations through the fiscal year ending June 30, 2021 using the effective interest method. The balance payable as of June 30, 2017, including deferred gain of \$184,764, and net of unamortized discount of \$315,780 is \$3,824,852. Debt service requirements to maturity on the contract, which includes imputed interest, are as follows:

Fiscal Year Ending June 30,	Principal	Imputed Interest	Total
2018	\$ 1,058,039	\$ 128,722	\$ 1,186,761
2019	694,587	96,587	791,174
2020	728,283	62,891	791,174
2021	763,594	27,580	791,174
2022	395,585		395,585
	<u>\$ 3,640,088</u>	<u>\$ 315,780</u>	<u>\$ 3,955,868</u>

On April 23, 2002, the City borrowed \$4,127,516 from the DOWR, at an interest rate of 0%, to refund a previous DOWR contract having a balance of \$4,852,058 with an interest rate of 3.0315 %. The City also paid \$724,542 towards the refunding. As result, the previous contract has been repaid and the liability has been removed from the Water Enterprise Fund.

There is no difference between the reacquisition price and the carrying amount of the old debt. The balance payable as June 30, 2017, including deferred gain of \$66,642, and net of unamortized discount of \$66,642 is \$1,135,064. Debt service requirements to maturity which includes imputed interest are as follows:

Fiscal Year Ending June 30,	Principal	Imputed Interest	Total
2018	\$ 284,797	\$ 24,767	\$ 309,564
2019	187,156	19,219	206,375
2020	192,873	13,502	206,375
2021	198,764	7,611	206,375
2022	204,832	1,543	206,375
	<u>\$ 1,068,422</u>	<u>\$ 66,642</u>	<u>\$ 1,135,064</u>

Water Enterprise Fund: MFC Note Payable

On October 1, 2004, the City participated in a pooled revenue bond issue with the California Statewide Communities Development Authority (CSCDA). The CSCDA issued \$4,000,000 of revenue bonds on behalf of the City for its Water enterprise fund, at an average interest rate of 4.37% and a final maturity of October 1, 2024. The City has since paid off the Bond with a Note from the Municipal Finance Corporation. The debt service requirements to maturity on the note are as follows:

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Water Enterprise Fund: MFC Note Payable (Continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 237,387	\$ 45,404	\$ 282,791
2019	243,960	38,648	282,608
2020	250,715	31,707	282,422
2021	257,657	24,572	282,229
2022	264,791	17,240	282,031
2023-2025	694,499	28,908	723,407
	<u>\$ 1,949,009</u>	<u>\$ 186,479</u>	<u>\$ 2,135,488</u>

Water Enterprise Fund: Water District Bonds Payable

On June 1, 1977, the Brawley County Water District issued Bonds totaling \$368,000. Subsequently, the Brawley County Water District was annexed by the City at which time these outstanding bonds became a reportable obligation of the City. All funds to pay the outstanding bonds continue to be collected and paid by the County of Imperial. The bonds bear interest at a rate of 5% with a final maturity date of June 1, 2017. This bond has been paid of as of June 30, 2017.

Wastewater Enterprise Fund: Contracts Payable

As of June 30, 2011, the City has received advances totaling \$2,759,775 from the California Infrastructure and Economic Development Bank (CIEDB). The purpose is to help finance improvements to the wastewater system. The balance payable as of June 30, 2017 is \$900,080. Debt service requirements to maturity on the contract are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 170,827	\$ 21,344	\$ 192,171
2019	175,302	16,809	192,111
2020	179,895	12,156	192,051
2021	184,609	7,382	191,991
2022	189,447	2,482	191,929
	<u>\$ 900,080</u>	<u>\$ 60,173</u>	<u>\$ 960,253</u>

Wastewater Enterprise Fund: California State Water Resource Control Board Loan

The City entered into a project finance agreement with the California State Water Resource Control Board (Water Control Board). Through the use of ARRA funds, the Water Control Board provided funding assistance for the rehabilitation and upgrade of the wastewater treatment plant. The City must repay the project funds at an interest rate of 1% per annum. The term of the agreement is from the fiscal year ended June 30, 2013, to the fiscal year ended June 30, 2032. A portion of the loan totaling \$10,000,000 was forgiven by the Water Control Board leaving an outstanding balance of \$11,257,312 at June 30, 2017. Annual debt service requirements for the CSWRCB Loan are shown below:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 699,278	\$ 112,573	\$ 811,851
2019	706,271	105,580	811,851
2020	713,334	98,517	811,851
2021	720,467	91,384	811,851
2022	727,672	84,179	811,851
2023-2027	3,748,974	310,281	4,059,255
2028-2032	3,941,316	119,053	4,060,369
	<u>\$ 11,257,312</u>	<u>\$ 921,567</u>	<u>\$ 12,178,879</u>

NOTE 8 – RISK MANAGEMENT

An internal service fund is used to account for the City's risk management and insurance programs, including self-insurance, commercial insurance, and participation in a public entity risk pool. Operating revenues of this fund consist of payments from other City funds and are based upon estimated cost of excess insurance premiums, self-insurance losses, and other operating expenses.

The City is self-insured for unemployment claims. Health insurance is purchased from an independent carrier. The City is a member of the California Joint Powers Insurance Authority (Authority) for workers' compensation and for liability and property damage coverage as outlined below.

The Authority is a consortium of 107 California public entities. The Authority's governing board consists of one member from each participating agency and is responsible for the selection of management as well as budgeting and financing. Insurance activities are financed by charges to members, and no long-term debt has been incurred. Actual annual premiums are determined using a retrospective method. At June 30, 2010, and as in the prior fiscal year, the City was self-insured for each general liability loss to the extent of \$30,000. At June 30, 2014, and as in the prior fiscal year, the City was self-insured for each workers' compensation loss to the extent of \$50,000. Losses above \$30,000 for general liability, and above \$50,000 for workers' compensation, are shared by the participating agencies, or covered by excess insurance coverage obtained by the Authority.

The City has had no settlements which exceeded insurance coverage in the last three fiscal years, and no changes in insurance coverage from the prior year.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial. The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney the resolution of these matters will not have a materially adverse effect on the financial position of the City.

NOTE 10 – JOINT VENTURES

Local Transportation Authority:

The City is a participant, along with Imperial County and the other cities in the county, in the Imperial County Local Transportation Authority (LTA). The LTA is considered a joint venture without equity interest. The City is also not obligated in any manner for debt of the LTA. Each participating jurisdiction appoints one member to the governing board of the LTA. The LTA was approved by voters of Imperial County at a special election on November 8, 1989. The ballot measure (Measure D) increased the sales tax in Imperial County by one-half of one percent (0.5%) for a period of twenty years, to provide funding for transportation improvements. The revenues are allocated to each participating jurisdiction based on a formula contained in the ballot measure.

On May 8, 2003 the LTA issued \$6,670,000 of sales tax refunding and new money bonds to refund on a current basis all of a previous bond issue and to fund certain transportation projects for the City and another member of the LTA. The amount made available to the City by this issue was \$1,849,216. The LTA has pledged the City's share of sales tax revenue as security for the amount. The amount received this fiscal year as shown above is net of the City's share of debt service required on this bond issue. The City has no other liability for the debt.

Additional financial information on the LTA is available from the Imperial County Transportation Local Transportation Authority.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 – JOINT VENTURES (CONTINUED)

Imperial Valley Emergency Communications Authority:

The City is a participant, along with Imperial County and the other cities in the county, in the Imperial Valley Emergency communications authority (IVECA). IVECA is considered a joint venture without equity interest. The purpose of IVECA is to extend an 800 MHz radio system from San Diego into Imperial County, to provide improved communications for public safety and emergency services. IVECA has entered into a lease purchase agreement with Motorola Inc. to provide the infrastructure system needed. The City's cost of the lease purchase agreement is \$63,715 per year for seven years, and began in the fiscal year ended June 30, 2004. It is also anticipated that IVECA will provide centralized dispatching services throughout Imperial County at some point in the future.

NOTE 11 – PENSION PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plan

Plan Descriptions - All qualified employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans, cost sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	City Misc Plan		City Safety Plan	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date	1, 2013	1, 2013	2013	1, 2013
Benefit formula	2% @ 55	2% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	50	62
Monthly benefits, as a % of eligible compensation	2.00%	2.00%	3.0%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%	9.00%	11.50%
Required employer contribution rates	17.383%	6.25%	40.860%	11.50%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 – PENSION PLAN (CONTINUED)

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

As of June 30, 2017, the City reported net pension liabilities for its proportionate share of the net position liability of the Plan as follows:

Proportionate Share of Net Pension Liability		
Misc. Plan	Safety Plan	Total
\$ 9,147,913	\$ 12,272,516	\$ 21,420,429

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

Proportion - June 30, 2015	0.25640%
Proportion - June 30, 2016	<u>0.24755%</u>
Change - Increase (Decrease)	<u><u>-0.00885%</u></u>

For the fiscal year ended June 30, 2017, the City recognized pension expense of \$2,219,094. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,313,745	\$ -
Differences between projected and actual contributions	336,858	(196,660)
Differences between expected and actual experience	32,757	(111,271)
Changes in assumptions	-	(762,333)
Net Difference between projected and actual earnings on plan investments	3,835,709	-
Changes in proportion	457,659	(474,457)
Total	<u>\$ 6,976,728</u>	<u>\$ (1,544,721)</u>

\$2,313,745 reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized as pension expense as follows:

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 – PENSION PLAN (CONTINUED)

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

	Fiscal Year Ended June 30,	
	2018	\$ 139,255
	2019	231,705
	2020	1,750,882
	2021	996,420
	Total	<u>\$ 3,118,262</u>

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions - The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.30%-14.20% (1)	3.30%-14.20% (1)
Investment Rate of Return	7.50% (2)	7.50% (2)
Mortality	Derived using CalPERS' Membership Data for all Funds	

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 – PENSION PLAN (CONTINUED)

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

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Year 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Miscellaneous	Safety	Total
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability	\$14,140,669	\$17,645,475	\$31,786,144
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$9,147,913	\$12,272,516	\$21,420,429
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$5,021,647	\$7,861,867	\$12,883,514

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

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 – SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Brawley (City) that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the “successor agency” to hold the assets units they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City resolution number 12-001.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

A. Long-term debt of the Successor Agency as of June 30, 2017, consisted of the following:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due within one year
Tax Allocation Bonds	\$ 4,800,000	\$ -	\$ (225,000)	\$ 4,575,000	\$ 165,000
Unamortized premium	84,548		(4,026)	80,522	4,026
Deferred loss on refunding	(132,917)		6,330	(126,587)	(6,329)
Totals	<u>\$ 4,751,631</u>	<u>\$ -</u>	<u>\$ (222,696)</u>	<u>\$ 4,528,935</u>	<u>\$ 162,697</u>

2016 Tax Allocation Refunding Bonds Payable

On October 3, 2006, the Community Redevelopment Agency issued \$5,875,000 of 2006 Tax Allocation Bonds. Interest is payable semiannually each April 1 and October 1 with principal due each October 1 beginning in 2008 with final maturity in 2036. The bonds were issued with interest rates varying between 3.65% and 5.00%. Proceeds from the issue are to be used to finance improvements, fund a reserve account, fund a capitalized interest account, and pay costs of issuance. Tax increment revenue is pledged against the bonds.

On January 27, 2016 the Successor to the Community Redevelopment Agency issued \$4,800,000 of 2016 Tax Allocation Refunding Bonds to refund the 2006 Tax Allocation Bonds. Interest is payable semiannually each April 1 and October 1 with principal due each October 1 beginning in 2016 with final maturity in 2036. The bonds were issued with interest rates varying between 2.125% and 5.00%. Tax increment revenue is pledged against the bonds.

The scheduled annual minimum debt service requirements at June 30, 2017 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2018	\$ 165,000	\$ 140,351	\$ 305,351
2019	170,000	135,326	305,326
2020	175,000	129,276	304,276
2021	180,000	121,276	301,276
2022	195,000	112,876	307,876
2023-2027	1,065,000	458,658	1,523,658
2028-2032	1,225,000	309,625	1,534,625
2033-2037	1,400,000	115,295	1,515,295
Totals	<u>\$ 4,575,000</u>	<u>\$ 1,522,683</u>	<u>\$ 6,097,683</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 – SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

B. Land held for resale at June 30, 2017 was \$1,081,003.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

1. A prior period adjustment of (\$536,299) was made in the Statement of Activities due to an overstatement of accounts receivable on the government-wide statements.
2. A prior period adjustment of (\$274,941) was made in the Maintenance Fund due to an overstatement of fixed assets in the prior fiscal year.
3. A prior period adjustment of \$306,491 was made in the Maintenance Fund due to an understatement of loans receivable and unearned revenue in the prior fiscal year.
4. A prior period adjustment of \$13,675 was made in the Water Fund due to an overstatement of deposits payable in the prior fiscal year.
5. A prior period adjustment of \$(495,357) was made in the Water Fund due to an understatement of accounts payable in the prior fiscal year.
6. A prior period adjustment of (\$74,136) was made in the Economic & Community Development Fund due to an overstatement of cash in the prior fiscal year.

The table below summarizes the impacts of these prior period adjustments by opinion unit:

	Opinion Unit				
	Governmental Activities	Business-type Activities	Internal Service Funds	Water Fund	Economic & Community Development Fund
Beginning Fund Balance/Net Position, as previously reported	\$ 37,996,407	\$ 60,370,187	\$ 2,882,534	\$ 20,459,604	\$ 7,669,797
Prior Period Adjustment #1	(536,299)				
Prior Period Adjustment #2	(274,941)		(274,941)		
Prior Period Adjustment #3	306,491		306,491		
Prior Period Adjustment #4		13,675		13,675	
Prior Period Adjustment #5		(495,357)		(495,357)	
Prior Period Adjustment #6	(74,136)				(74,136)
Total Prior Period Adjustments	(578,885)	(481,682)	31,550	(481,682)	(74,136)
Beginning Fund Balance/Net Position, Restated	\$ 37,417,522	\$ 59,888,505	\$ 2,914,084	\$ 19,977,922	\$ 7,595,661

NOTE 14 – MANAGEMENT’S REVIEW OF SUBSEQUENT EVENTS

On July 20, 2017, the City of Brawley issued Taxable Pension Obligation Bonds in the amount of \$16,310,000 to fund a portion of city’s net pension liability for the Safety and the Miscellaneous plans. The issuance is an attempt to provide the City with significant savings in interest.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BRAWLEY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Utility users	\$ 1,975,091	\$ 1,975,091	\$ 1,739,696	\$ (235,395)
Transient lodging	361,325	361,325	357,722	(3,603)
Franchise	616,000	616,000	567,363	(48,637)
Business license	25,856	25,856	42,842	16,986
Licenses and permits	16,700	16,700	16,976	276
Fines and forfeitures	49,025	49,025	31,339	(17,686)
Use of money and property	35,000	35,000	76,792	41,792
Intergovernmental	7,674,428	7,674,428	7,108,513	(565,915)
Charges for services	3,775,715	3,775,715	3,881,837	106,122
Miscellaneous	111,950	111,950	149,414	37,464
Total revenues	14,641,090	14,641,090	13,972,494	(668,596)
EXPENDITURES				
Current:				
General government	2,740,597	2,740,597	2,546,005	194,592
Public safety	9,018,265	9,018,265	9,103,288	(85,023)
Culture and leisure	2,411,559	2,411,559	2,382,638	28,921
Community development	1,423,615	1,423,615	1,393,730	29,885
Total expenditures	15,594,036	15,594,036	15,425,661	168,375
Excess of revenues over (under) expenditures	(952,946)	(952,946)	(1,453,167)	(500,221)
OTHER FINANCING SOURCES (USES)				
Transfers in	500,673	500,673	334,782	(165,891)
Transfers out	(737,500)	(737,500)	(737,500)	
Total other financing sources (uses)	(236,827)	(236,827)	(402,718)	(165,891)
Net change in fund balance	(1,189,773)	(1,189,773)	(1,855,885)	(666,112)
Fund Balance - July 1, 2016	3,667,614	3,667,614	3,667,614	
Fund Balance - June 30, 2017	\$ 2,477,841	\$ 2,477,841	\$ 1,811,729	\$ (666,112)

CITY OF BRAWLEY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ECONOMIC & COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 52,300	\$ 52,300	\$ 31,906	\$ (20,394)
Intergovernmental	323,490	323,490		(323,490)
Total revenues	375,790	375,790	31,906	(343,884)
EXPENDITURES				
Current:				
Community development	323,490	323,490	9,141	314,349
Capital outlay			34,918	(34,918)
Total expenditures	323,490	323,490	44,059	279,431
Excess of revenues over (under) expenditures	52,300	52,300	(12,153)	(64,453)
OTHER FINANCING SOURCES (USES)				
Transfers out			(227,538)	(227,538)
Total other financing sources (uses)			(227,538)	(227,538)
Net change in fund balance	52,300	52,300	(239,691)	(64,453)
Fund Balance - July 1, 2016, Restated	7,669,797	7,669,797	7,595,661	(74,136)
Fund Balance - June 30, 2017	\$ 7,722,097	\$ 7,722,097	\$ 7,355,970	\$ (138,589)

CITY OF BRAWLEY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2017

Cost Sharing Defined Benefit Pension Plan

Schedule of the City's Proportionate Share of the Net Pension Liability – Last 10 Years*

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportion of the net pension liability	0.24755%	0.25640%	0.27347%
Proportionate share of the net pension liability	\$ 21,420,429	\$ 17,598,726	\$ 16,595,334
Covered payroll	\$ 8,585,302	\$ 7,584,412	\$ 7,564,276
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	249.50%	232.04%	219.39%
Plan fiduciary net position as a percentage of total pension liability	74.06%	78.40%	79.82%

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

*Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

**CITY OF BRAWLEY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2017**

Cost Sharing Defined Benefit Pension Plan

Schedule of Contributions – Last 10 Years*

	June 30, 2017	June 30, 2016	June 30, 2015
Contractual required contribution (actuarially determined)	\$ 2,313,745	\$ 1,806,003	\$ 1,783,377
Contributions in relation to the actuarially determined contributions	(2,313,745)	(1,806,003)	(1,783,377)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 7,825,417	\$ 8,585,302	\$ 7,584,412
Contributions as a percentage of covered payroll	29.57%	21.04%	23.51%

Notes to Schedule

Valuation Date: June 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Inflation	2.75%
Salary Increases	3.30% to 14.20% depending on age, service, and type of employment
Investment Rate of Return	7.50%, net of pension plan investment and administrative Expenses; includes Inflation
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership Data for all Funds

⁽¹⁾The mortality table was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

*Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF BRAWLEY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - BUDGETS AND BUDGETARY DATA

A key element of the City's financial management process is the preparation of the annual budget. Each year the City Manager presents to City Council a proposed budget, which includes all current balances and expected revenues and other financing sources of the City, and describes by department how those resources will be utilized. Under terms of various grant and financing agreements, the budget is to be adopted by the end of June, prior to the beginning of each fiscal year. The budget is adopted by motion of the City Council, and if amended, generally is done by resolution.

Budgets for the General and Special Revenue Funds are adopted on a basis substantially consistent with the accounting principles generally accepted in the United States of America (US GAAP). Accordingly, actual revenues and expenditures can be compared with the related budgeted amounts without any significant reconciling items.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended.

There was no legally adopted budget for the major fund – SB 325 Special Revenue Fund.

General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. The Council conducts public meetings prior to its adoption. The budget is prepared by fund, function and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Supplemental appropriations, when required during the period are also approved by the Council. Intradepartmental budget changes are approved by the City Manager. Expenditures may not exceed appropriations at the departmental level. At fiscal year-end, all operating budget appropriations lapse. During the year, several supplementary appropriations were necessary.

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OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted for particular purposes.

Gas Tax Fund – To account for City’s share of state gas tax revenue restricted for street improvements and maintenance.

Measure D Fund – To account for revenue received from the Local Transportation Authority for the City’s portion of the ½% local sales tax revenue for a 20 year street rehabilitation program. Uses are restricted to those purposes necessary and convenient for the maintenance, operation, and construction of local streets and roads.

Pedestrian & Bicycle Facilities Fund – To account for revenue received from the State under Article 3 of the Transportation Development Act (Section 99234 of the Public Utilities Code). Uses are restricted to facilities for exclusive use by pedestrians and bicycles.

Downtown Parking Fund – To account for fees collected from merchants in the downtown business district to provide parking facilities in the downtown area.

Law Enforcement Fund – To account for revenues received by the City as a result of its participation in a task force with other law enforcement agencies in the area, and to account for revenues of various federal and state grants for law enforcement.

Successor Agency Housing Fund – Successor agency to the CRA Housing Fund.

Assessment Districts Fund – To account for the collection of assessments from property owners and the associated expenditures for the maintenance of landscaped areas within the district, and to account for revenues and expenditures of Community Facilities Districts (CFD).

CAPITAL PROJECTS FUNDS

Capital Projects funds account for financial resources to be used for the acquisition or construction of major capital facilities.

Streets Projects Fund – This fund accounts for resources set aside for major improvements to local streets and roads.

Development Impact Fund – To account for fees paid by developers to offset the cost of providing public facilities for police, fire, parks, recreation, library, and other public facilities and for street construction.

CITY OF BRAWLEY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Special Revenue Funds			
	Gas Tax	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking
ASSETS				
Cash and investments	\$ 992,568	\$ 3,027,594	\$ 334,542	\$ 1,297
Restricted cash and investments with fiscal agents				
Interest receivable	3,260	9,152	799	4
Accounts receivable				850
Due from other governments				28
Total assets	\$ 995,828	\$ 3,036,746	\$ 335,341	\$ 2,179
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 32,178	\$ 35,095	\$ 829	\$ -
Unearned revenue	317,457			
Due to other funds				
Total liabilities	349,635	35,095	829	
Fund balances:				
Restricted for:				
Streets and roads	646,193	3,001,651	334,512	
Public safety				2,179
Community development				
CFD improvements and maintenance				
Unassigned				
Total fund balances (deficits)	646,193	3,001,651	334,512	2,179
Total liabilities, deferred inflows of resources and fund balances	\$ 995,828	\$ 3,036,746	\$ 335,341	\$ 2,179

Special Revenue Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
Law Enforcement	Successor Agency Housing	Assessment Districts	Streets	Development Impact	
\$ 105,327	\$ -	\$ 426,903	\$ 512,481	\$ 3,715,462	\$ 9,116,174
		85,549			85,549
325		1,652		5,206	20,398
				38	888
37,935		135,922	461,470		635,355
<u>\$ 143,587</u>	<u>\$ -</u>	<u>\$ 650,026</u>	<u>\$ 973,951</u>	<u>\$ 3,720,706</u>	<u>\$ 9,858,364</u>
\$ -	\$ 3,255	\$ 30,917	\$ 29,862	\$ -	\$ 132,136
13,668					331,125
	341				341
<u>13,668</u>	<u>3,596</u>	<u>30,917</u>	<u>29,862</u>		<u>463,602</u>
			944,089		4,926,445
129,919					132,098
				3,720,706	3,720,706
		619,109			619,109
	(3,596)				(3,596)
<u>129,919</u>	<u>(3,596)</u>	<u>619,109</u>	<u>944,089</u>	<u>3,720,706</u>	<u>9,394,762</u>
<u>\$ 143,587</u>	<u>\$ -</u>	<u>\$ 650,026</u>	<u>\$ 973,951</u>	<u>\$ 3,720,706</u>	<u>\$ 9,858,364</u>

CITY OF BRAWLEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds			
	Gas Tax	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking
REVENUES				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services				685
Use of money and property	11,820	32,985	2,874	10
Intergovernmental	519,059	967,982	87,422	
Miscellaneous				
Total revenues	530,879	1,000,967	90,296	695
EXPENDITURES				
Current:				
Public safety				
Community development				
Transportation	655,811	562,323	7,585	
Capital outlay				
Total expenditures	655,811	562,323	7,585	
Excess of revenues over (under) expenditures	(124,932)	438,644	82,711	695
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	(89,693)	(109,282)		
Total other financing sources (uses)	(89,693)	(109,282)		
Net change in fund balances	(214,625)	329,362	82,711	695
Fund Balances (Deficit) - beginning of fiscal year	860,818	2,672,289	251,801	1,484
Fund Balances (Deficit) - end of fiscal year	\$ 646,193	\$ 3,001,651	\$ 334,512	\$ 2,179

Special Revenue Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
Law Enforcement	Successor Agency Housing	Assessment Districts	Streets	Development Impact	
\$ -	\$ -	\$ 139,202	\$ -	\$ -	\$ 139,202
50,606				762,142	813,433
2,297		5,796	930	20,611	77,323
264,160		95,275	415,588		2,349,486
				104,000	104,000
317,063		240,273	416,518	886,753	3,483,444
252,717					252,717
	341	43,935	31,835	23,994	100,105
					1,225,719
172,635			1,063,009		1,235,644
425,352	341	43,935	1,094,844	23,994	2,814,185
(108,289)	(341)	196,338	(678,326)	862,759	669,259
			198,976		198,976
(255,766)		(79,017)			(533,758)
(255,766)		(79,017)	198,976		(334,782)
(364,055)	(341)	117,321	(479,350)	862,759	334,477
493,974	(3,255)	501,788	1,423,439	2,857,947	9,060,285
\$ 129,919	\$ (3,596)	\$ 619,109	\$ 944,089	\$ 3,720,706	\$ 9,394,762

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CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
JUNE 30, 2017

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government unites, on a cost reimbursement basis.

Maintenance Fund – To account for the costs of maintenance of the City’s fleet of vehicles and certain public facilities.

Risk Management Fund – To account for the costs of providing insurance, including risks retained by the City, for general liability, property damage, unemployment benefits, workers’ compensation and employee health benefits. This fund also finances postemployment health care benefits provided to retirees and to former employees.

CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2017

	Maintenance	Risk Management	Totals
ASSETS			
Current Assets:			
Cash and investments	\$ 1,776,428	\$ -	\$ 1,776,428
Interest receivable	3,108		3,108
Due from other governments	166,138	380	166,518
Notes receivable	184,105		184,105
Prepaid expenditures		145,727	145,727
Total Current Assets	<u>2,129,779</u>	<u>146,107</u>	<u>2,275,886</u>
Noncurrent Assets:			
Capital Assets:			
Construction in progress	11,138		11,138
Equipment	2,782,290		2,782,290
Total Capital Assets	2,793,428		2,793,428
Less Accumulated Depreciation	(1,488,449)		(1,488,449)
Net Capital Assets	<u>1,304,979</u>		<u>1,304,979</u>
Total Noncurrent Assets	<u>1,304,979</u>		<u>1,304,979</u>
Total Assets	<u>3,434,758</u>	<u>146,107</u>	<u>3,580,865</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	33,660	62,195	95,855
Due to other funds		105,344	105,344
Total Current Liabilities	<u>33,660</u>	<u>167,539</u>	<u>201,199</u>
Noncurrent Liabilities:			
Compensated absences	20,976		20,976
Claims payable		6,682	6,682
Total Noncurrent Liabilities	<u>20,976</u>	<u>6,682</u>	<u>27,658</u>
Total Liabilities	<u>54,636</u>	<u>174,221</u>	<u>228,857</u>
NET POSITION			
Net investment in capital assets	1,304,979		1,304,979
Unrestricted	2,075,143	(28,114)	2,047,029
Total Net Position	<u>\$ 3,380,122</u>	<u>\$ (28,114)</u>	<u>\$ 3,352,008</u>

CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
For the Fiscal Year Ended June 30, 2017

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Totals</u>
Revenues:			
Charges for services	\$ 146,024	\$ 3,127,498	\$ 3,273,522
Total Revenues	<u>146,024</u>	<u>3,127,498</u>	<u>3,273,522</u>
Expenses:			
Salary and benefits	216,204		216,204
Supplies and services	205,376	3,161,062	3,366,438
Depreciation	192,612		192,612
Total Expenses	<u>614,192</u>	<u>3,161,062</u>	<u>3,775,254</u>
Operating Income (Loss)	<u>(468,168)</u>	<u>(33,564)</u>	<u>(501,732)</u>
Non-Operating Revenue (Expenses)			
Use of money and property	<u>202,156</u>		<u>202,156</u>
Total Non-Operating Revenue	<u>202,156</u>		<u>202,156</u>
Net Income (Loss) Before Transfers	<u>(266,012)</u>	<u>(33,564)</u>	<u>(299,576)</u>
Transfers in	<u>737,500</u>		<u>737,500</u>
Change in Net Assets	471,488	(33,564)	437,924
Net Position - Beginning of Fiscal Year, Restated	<u>2,908,634</u>	<u>5,450</u>	<u>2,914,084</u>
Net Position - End of Fiscal Year	<u>\$ 3,380,122</u>	<u>\$ (28,114)</u>	<u>\$ 3,352,008</u>

CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017

	Maintenance	Risk Management	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from users	\$ 146,024	\$ 3,127,498	\$ 3,273,522
Cash payments to suppliers and contractors	(83,129)	(1,939,024)	(2,022,153)
Cash payments for employees and benefit programs	(216,204)		(216,204)
Net Cash Provided (Used) By Operating Activities	<u>(153,309)</u>	<u>1,188,474</u>	<u>1,035,165</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers	737,500		737,500
Loan repayment	122,386		122,386
Interfund borrowing (repayment)		(1,188,094)	(1,188,094)
Intergovernmental revenue (expense)	671	(380)	291
Net Cash Provided (Used) By Non-Capital Financing Activities	<u>860,557</u>	<u>(1,188,474)</u>	<u>(327,917)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(11,138)		(11,138)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(11,138)</u>		<u>(11,138)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	200,822		200,822
Net Cash Provided In Investing Activities	<u>200,822</u>		<u>200,822</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	896,932		896,932
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	879,496		879,496
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	\$ 1,776,428	\$ -	\$ 1,776,428
Reconciliation with Statement of Net Position			
Cash and investments	\$ 1,776,428	\$ -	\$ 1,776,428
CASH AND CASH EQUIVALENTS	\$ 1,776,428	\$ -	\$ 1,776,428

(Continued)

CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017 (Continued)

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (468,168)	\$ (33,564)	\$ (501,732)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Depreciation	192,612		192,612
(Increase) Decrease prepaid expenditures	88,587	1,207,137	1,295,724
Increase (Decrease) accounts payable and accrued liabilities	33,660	14,901	48,561
Total Adjustments	314,859	1,222,038	1,536,897
Net Cash Provided (Used) By Operating Activities	\$ (153,309)	\$ 1,188,474	\$ 1,035,165