



2021/22 Annual Financial Report

Fiscal Year Ended
June 30, 2022

City of Brawley
Brawley, California

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i
Organizational Chart	v
List of Principal Officers	vi
FINANCIAL SECTION	
Independent Auditor’s Report	1
Management’s Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	24
Statement of Revenues, Expenditures and Changes in Fund Balances	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Proprietary Funds:	
Statement of Net Position	28
Statement of Revenues, Expenses and Changes in Net Position	30
Statement of Cash Flows	32
Fiduciary Funds:	
Statement of Net Position	36
Statement of Changes in Net Position	37
Notes to Basic Financial Statements	38
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund	86
Economic & Community Development Special Revenue Fund	87
American Rescue Plan Act (ARPA) Special Revenue Fund	88
Highway Relinquishment Special Revenue Fund	89
Measure D Special Revenue Fund	90
Schedule of the City’s Proportionate Share of the Net Pension Liability	91

TABLE OF CONTENTS (Continued)

	Page
Required Supplementary Information (continued)	
Schedule of Pension Contributions	92
Schedule of Changes in Total OPEB Liability and Related Ratios	93
Notes to Required Supplementary Information	94
Other Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Development Impact Capital Projects Fund	95
Nonmajor Governmental Funds:	
Description	96
Combining Balance Sheet.....	98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	101
Internal Service Funds:	
Description	104
Combining Statement of Net Position	105
Combining Statement of Revenues, Expenditures and Changes in Net Position	106
Combining Statement of Cash Flows.....	107



City of Brawley, Finance Dept.
400 Main Street
Brawley, CA 92227
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July 7, 2023

To the Citizens of Brawley, the Honorable Mayor and Members of the City Council:

It is with great pleasure that we present to you the Annual Financial Report of the City of Brawley for the fiscal year ending June 30, 2022. The Annual Financial Report has been prepared by the Finance Department for the benefit of City Council Members, citizens, investors, grantors, employees, and others who may have an interest in the financial well-being of the City.

The Annual Financial Report presents information regarding the City's financial activities. This transmittal letter provides a non-technical summary of the City's finances, services, achievements, and economic outlook. A more detailed analysis is presented in the Management's Discussion and Analysis section (MD&A) that immediately follows the independent auditor's report. The MD&A provides an overview and analysis of the basic financial statements and complements this transmittal.

Responsibility for both the accuracy and the completeness of all disclosure's rests with the City of Brawley. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of City operations. Supplementary disclosures are included to summarize the City's financial activities.

This Financial Report was prepared in conformance with Generally Accepted Accounting Principles (GAAP). The City's financial reporting is based upon all Governmental Accounting Standards Board (GASB) Statements; these pronouncements are the most authoritative source for governmental GAAP.

Rogers, Anderson, Malody & Scott LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2022. This is the most favorable conclusion. The independent auditor's report is located at the front of the financial section. The independent audit involved examining evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and estimates made by management, and evaluating the overall financial statement presentation and conformity with GAAP.

Government Profile

The City of Brawley is located on the southeastern region of the State of California, in the center of the Imperial County. Although the region is a desert with arid conditions, it is also one of the most fertile agricultural areas in the United States. This is possible through water provided by the All American Canal from the nearby Colorado River in addition to an intricate system of canals throughout the region. As of January 1, 2022, the City had a population of 26,952.

The City of Brawley was incorporated on April 6, 1908, as a general law city which operates under the council/manager form of government. The City is governed by a five-member City Council. Council members serve for a period of four years on staggered schedules. Every year, the City Council selects a Mayor from its members to serve for a one-year term. The Brawley City Council hires a City Manager to act as the chief administrator for the City's day-to-day operations.

The City of Brawley is a full-service city. Services provided include police, fire, street maintenance, parks, recreation, library, water, sewer, solid waste, airport, housing, planning, building inspection, and general administrative services.

The City contracts with other government agencies and private entities for specific services, including electricity service, public transit, refuse collection, and street sweeping.

The City's annual operating and capital improvement budgets are adopted by resolutions for the fiscal year that begins July 1st. A comprehensive budget resolution is adopted by the City Council and the Successor Agency to the Brawley Redevelopment Agency for all general, enterprise, special funds, and fiduciary funds of the City.

The annual budget is the foundation for the City's financial planning and control. The budget is prepared by fund, function, department, and line item. Department Directors may transfer line item resources within a division with the approval of the City Manager. The City Manager may authorize transfers between divisions and departments.

The City of Brawley has one blended component unit, the Brawley Public Improvement Corporation. Although it is a legally separate entity, it is in substance part of the City's operations.

Local Economy

According to the State of California Employment Development Department, as of March 2023, the unemployment rate for Brawley was 13.4%, which was lower than the rate for Imperial County at 14.8% and but higher than the statewide average of 3.7%.

The City's dominant industries are service stations, quick service restaurants, and farm/construction equipment with the following major sales tax producers: Arco AM PM, Jordan Implement, Pilot Travel Center, RDO Water, and Walmart Supercenter (in alphabetical order).

During 2021/22 the City issued a total of 810 building permits with the following larger residential developments pulling permits, pre-selling homes, and now well underway with construction: Latigo Ranch, La Paloma, and Malan Park.

In 2023, the City is looking forward to the opening of a 105,000 square-foot modular housing manufacturing facility that will employ 200 full-time employees when fully operational. The City is currently reviewing development projects including hotel expansions, discount retailers, and fast food businesses.

Long-Term Financial Planning

The City is focused on sound long-term financial governance and prudent planning for capital improvements and long-term liabilities, increasing transparency, reporting, and public engagement, along with updating financial policies. These efforts will assure fiscal stability and provide guidance for future decisions.

In 2021/22, the General Fund's overall fund balance increased by almost \$1.6 million when compared to the ending balance in 2020/21. Expense overages were largely due to increases in public safety expenditures and savings were generally derived from multi-year projects. The majority of these savings are anticipated to continue mainly due to multi-year projects not yet being completed.

As a commitment of long-range planning, a portion of these savings were set aside as Committed Reserves; \$100,000 for Capital Replacements and \$1,767,952 as operational carryovers for projects funded in 2021/22 which will be completed in 2022/23.

The Future

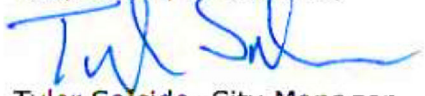
In June 2022, the City Council adopted a balanced budget without the use of reserves for fiscal year 2022/23. The adopted budget had operating revenues exceeding expenses by \$6,310. The 2022/23 budget included sustained funding for essential services, such as police, fire, and maintenance of critical infrastructure.

The City looks forward to continued economic prosperity, the efficient and prudent use of resources, and long-term fiscal stability.

Acknowledgements

We would like to express our appreciation to the City Council for their ongoing oversight of the financial affairs of the City and their prudent fiscal, economic, and land use policy and direction. We also thank City staff with special appreciation to the Finance Department for their continued effort to provide accurate financial data and the preparation of this report.

Respectfully Submitted,

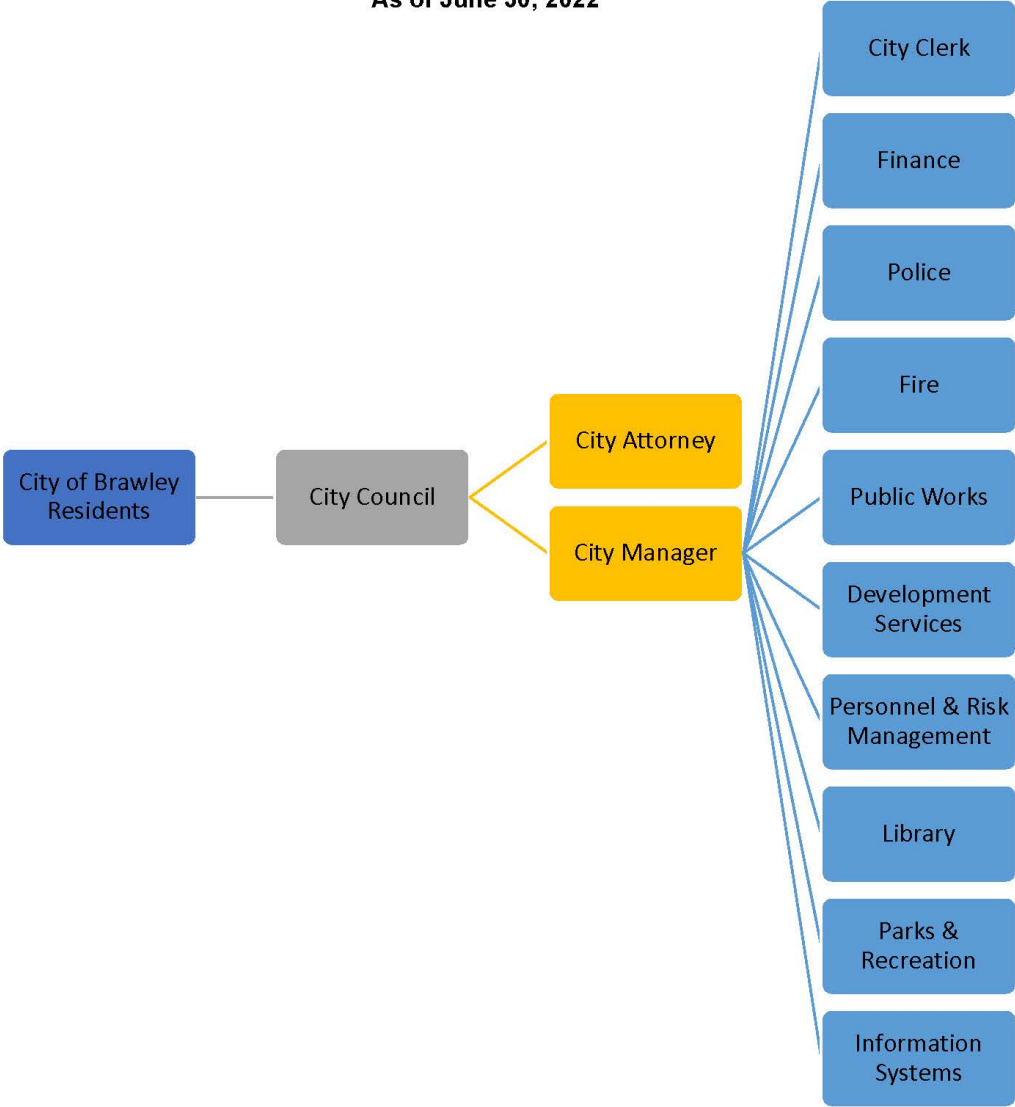


Tyler Salcido, City Manager



Silvia Luna, Acting Finance Director

City of Brawley, California
ORGANIZATIONAL CHART
As of June 30, 2022



City of Brawley
List of Principal Officers

As of June 30, 2022

City Council

Sam Couchman - Mayor
George Nava – Mayor Pro-Tempore
Ramon Castro - Council Member
Donald Wharton - Council Member
Luke Hamby – Council Member



Administration

Tyler Salcido - City Manager
William Smerdon - City Attorney
Alma Benavides - City Clerk
Karla Romero – Finance Director/City Treasurer
Jimmy Duran - Chief of Police
Michael York - Fire Chief
Guillermo Sillas - Public Works Director/City Engineer
Vacant – Development Services Director
Shirley Bonillas – Personnel and Risk Management Administrator
Petra Ortega -Interim Library Manager
Rachel Fonseca - Parks and Recreation Manager
Armando Garibay, Information Technology Director

FINANCIAL SECTION



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

Independent Auditor's Report

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San Bernardino, CA 92408
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PARTNERS

Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST
Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA, CGMA
Brenda L. Odle, CPA, MST (Partner Emeritus)

MANAGERS / STAFF

Seong-Hyea Lee, CPA, MBA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Laura Arvizu, CPA
Xinlu Zoe Zhang, CPA, MSA
John Maldonado, CPA, MSA
Julia Rodriguez Fuentes, CPA, MSA
Demi Hite, CPA
Jeffrey McKennan, CPA
Alan D. Garcia, CPA, MSA

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants

The Members of the City Council of the
City of Brawley
Brawley, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Brawley (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City adopted provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying supplementary information, such as the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the annual report. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2023 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 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
July 7, 2023

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City of Brawley

Management's Discussion and Analysis For the Year Ended June 30, 2022

As management of the City of Brawley (City), we offer readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. Our intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the City. The analysis will focus on changes from prior year to explain the City overall financial condition. Please read this analysis in conjunction with the financial statements which follow this section.

The City of Brawley, California (the City) is located in the County of Imperial in the southeastern part of the State of California. The City is situated approximately 210 miles southeast of Los Angeles and 30 miles north of the international border with Mexico. Brawley is a general law city incorporated in 1908 as a Council/Manager form of government.

FINANCIAL HIGHLIGHTS

Financial highlights of fiscal year ended June 30, 2022 include the following:

Government-wide:

- The City's total net position was \$129,459,159 as of June 30, 2022. Of this total, \$50,403,172 was governmental net position and \$79,055,987 was business-type net position.
- Government-wide revenues include program revenues of \$12,692,768 and general revenues and transfers of \$13,647,529, for a total of \$26,340,297.
- Government-wide expenses were \$9,007,403.
- Business-type program revenues, interest and transfers were \$15,716,646 while business-type expenses were \$11,023,481.

Fund Level:

- Governmental fund balances increased \$5,747,459 in fiscal year 2021-22.
- Governmental fund revenues increased \$2,708,625 in fiscal year 2021-22 due to increased funding through property tax, sales and use tax, utility user tax, and intergovernmental special revenue and grants.
- Governmental fund expenditures increased \$761,103 in fiscal year 2021-22 largely due to increases in general government and public safety expenditures.

General Fund:

- General Fund revenues remained largely the same in total with a small increase of \$297,903 in fiscal year 2021-22.
- General Fund expenditures increased \$1,193,989 in fiscal year 2021-22.
- General Fund balance increased \$1,634,759 in fiscal year 2021-22.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is divided into five parts:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to these financial statements
4. Required supplementary information
5. Other supplemental information

Government-wide Financial Statements

The Government-wide financial statements provide a longer-term view of the City's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations.

The Statement of Activities provides information about all the City's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in net positions for the fiscal year.

All of the City's activities are grouped into governmental activities and business-type activities, as explained below. The amounts in the Statement of Net Position and the Statement of Activities are separated into governmental activities and business-type activities in order to provide a summary of these two activities for the City as a whole.

Government-wide financial statements are prepared on the accrual basis, which mean they measure the flow of all economic resources of the City as a whole.

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental Activities – All of the City's basic services are considered to be governmental activities. These services are supported by the general City revenues such as taxes, and by specific program revenues such as user fees and charges.

Business-type Activities – The City's enterprise activities of water, and wastewater are reported in this area. Unlike governmental services, these services are supported by charges paid by users based on the amount of service they use.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT (continued)

Fund Financial Statements

The fund financial statements report on the City's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the City's General Fund and other major funds. The fund financial statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

The fund financial statements provide detailed information about each of the City's most significant funds, called major funds. Major funds account for the major financial activities of the City and are presented individually, while the activities of non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. The concept of major funds, and the determination of which funds are major, was established by the Governmental Accounting Standards Board (GASB) Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present details of these non-major funds. Major funds present the major activities of the City for the fiscal year and may change from year to year as a result of changes in the pattern of the City's activities.

In the City's case, there are five major governmental funds in addition to the General Fund: Economics and Community Development Special Revenue Fund, American Rescue Plan Act (ARPA), Highway Relinquishment Fund, Measure D and Development Impact Fees Fund.

The City reports three major enterprise funds – Water, Wastewater, and Solid Waste

Fund financial statements include governmental and proprietary funds as discussed below.

Governmental fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the governmental fund financial statements.

Proprietary funds financial statements are prepared on the full accrual basis and includes all of their assets and liabilities, current and long-term.

City of Brawley

Management's Discussion and Analysis For the Year Ended June 30, 2022

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on the net positions and changes in net positions of the City as a whole. Tables 1, 2 and 3 focus on the City's Governmental Statement of Net Position and Statements of Activities, while Table 4 focuses on the City's Business-type Statement of Net Position and Statement of Activities.

Table 1

	Governmental Activities 2022	Governmental Activities 2021
Assets		
Cash and investments	\$ 37,876,582	\$ 28,876,385
Other assets	10,323,352	11,134,529
Capital assets, net	29,897,766	32,927,621
Net pension asset	1,960,134	-
Total Assets	80,057,834	72,938,535
Deferred Outflows of Resources		
Pension related	5,775,672	5,840,478
OPEB related	782,903	957,203
Total Deferred Outflows of Resources	6,558,575	6,797,681
Liabilities		
Other liabilities	13,718,416	11,886,592
Long term liabilities	12,310,622	13,242,953
Net pension liability	-	8,658,451
Total OPEB Liability	4,299,532	5,684,753
Total Liabilities	30,328,570	39,472,749
Deferred Inflows of Resources		
Pension related	4,147,103	5,408,705
OPEB related	1,737,564	247,887
Total Deferred Inflows of Resources	5,884,667	5,656,592
Net Position		
Net investment in capital assets	29,715,759	32,927,621
Restricted	27,841,568	23,360,399
Unrestricted	(7,154,155)	(21,681,145)
Total Net Position	\$ 50,403,172	\$ 34,606,875

**Management's Discussion and Analysis
For the Year Ended June 30, 2022**

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE (continued)

The City's governmental net position amounted to \$50,403,172 as of June 30, 2022, an increase of \$15,796,297 from the prior fiscal year after prior period adjustments. The City's net position as of June 30, 2022 comprised the following:

Cash and investments comprised \$37,876,582. Substantially all of these amounts were held in short-term investments in government securities, as detailed in Note 3 to the financial statements.

Receivables comprised \$2,125,101 of current receivables and loans receivable of \$7,444,454 that is due over longer periods of time as explained in the Notes.

Capital assets of \$29,897,766 net of depreciation charges, which included all the City's capital assets used in governmental activities.

Net pension asset of \$1,960,134.

Current liabilities, including accounts payable, claims, unearned revenue and other amounts due currently, total \$13,718,416.

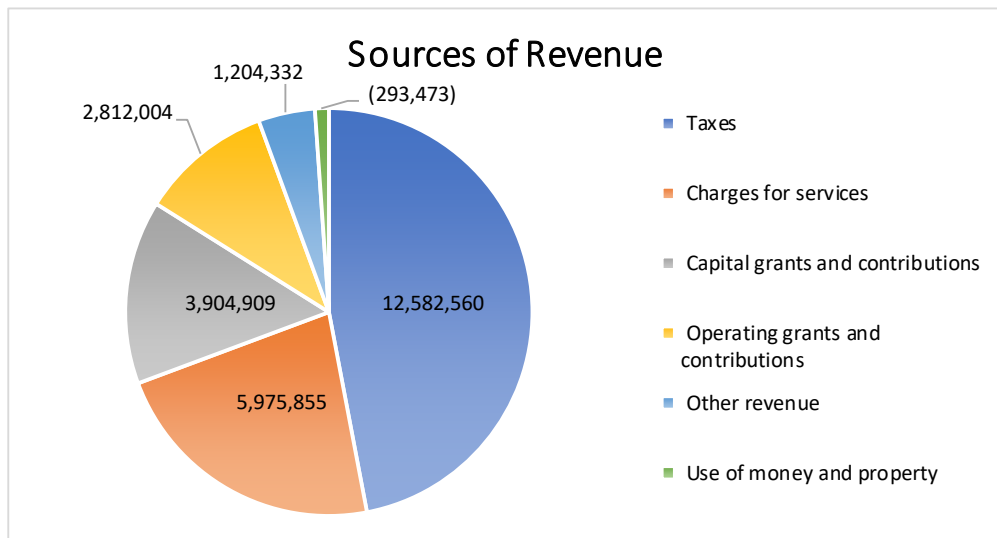
Long-term liabilities of \$16,610,154 includes the total OPEB liability but not the current portion of long-term liabilities.

Net investment in capital assets of \$29,715,759, representing the City's investment in capital assets used in governmental activities, any cash with fiscal agent associated with capital asset related debt net of accumulated depreciation, and amounts borrowed to finance those investments.

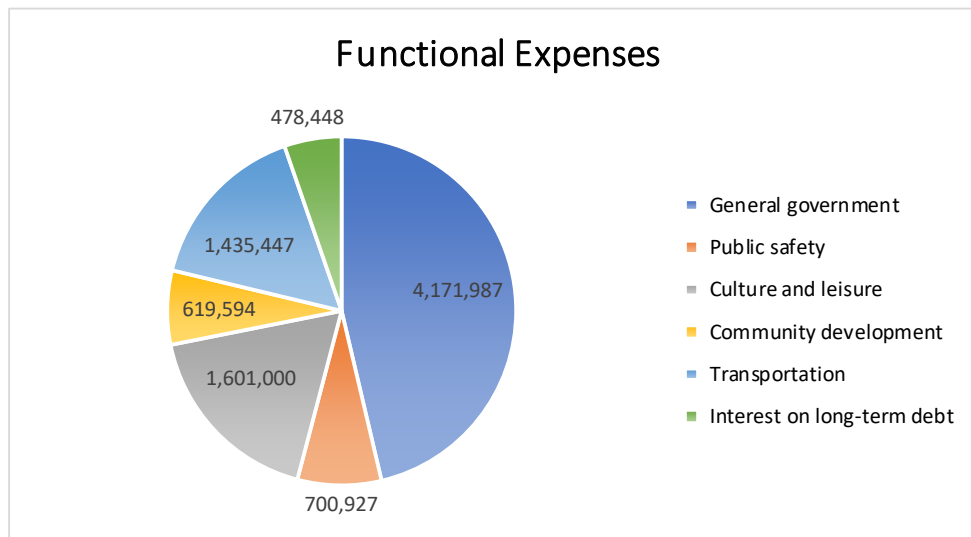
Unrestricted net position, the part of net positions that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions, was \$ (7,154,155) as of June 30, 2022 primarily due to the size of the total OPEB liability.

City of Brawley

Management's Discussion and Analysis For the Year Ended June 30, 2022



As the Sources of Revenue chart above shows, \$12,582,560, or 48% of the City's fiscal year 2022 governmental activities revenue came from taxes, while \$5,975,855 or 23% came from charges for services. \$3,904,909 or 15% came from capital grants and contributions, \$2,812,004 or 11% came from operating grants and contributions, and the remainder came from a variety of sources including interest revenue.



The Functional Expenses chart above includes only current year expenses; it does not include capital outlays, which are added to the City's capital assets. As the chart shows, general government was \$4,171,987 or 46%, of total governmental expenses, public safety was \$700,927, or 8%, culture and leisure was \$1,601,000, or 18%, community development was \$619,594, or 7%, and transportations was \$1,435,447 or 16%, the remainder is composed of interest expense.

City of Brawley

Management's Discussion and Analysis For the Year Ended June 30, 2022

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these elements in the changes in governmental net position are summarized below.

Table 2

	Governmental Activities 2022	Governmental Activities 2021
For the Fiscal Year Ended June 30, Expenses		
General government	\$ 4,171,987	\$ 5,903,349
Public safety	700,927	8,233,191
Culture and leisure	1,601,000	1,742,616
Community development	619,594	1,666,387
Transportation	1,435,447	1,255,685
Interest on long-term debt	478,448	495,036
Total Expenses	9,007,403	19,296,264
Revenues		
Program revenues		
Charges for services	5,975,855	6,215,205
Operating grants and contributions	2,812,004	1,090,792
Capital grants and contributions	3,904,909	2,867,161
Total Program Revenues	12,692,768	10,173,158
General revenues and transfers		
Taxes	12,582,560	11,962,172
Use of money and property	(293,473)	132,290
Other revenue	1,204,332	634,903
Transfer	154,110	121,658
Total General Revenues and Transfers	13,647,529	12,851,023
Total Revenues and Transfers	26,340,297	23,024,181
Change in Net Position	\$ 17,332,894	\$ 3,727,917

City of Brawley

Management's Discussion and Analysis For the Year Ended June 30, 2022

As Table 2 above shows, \$12,692,768 or 48%, of the City's fiscal year 2021-22 governmental revenue, came from program revenues and \$13,647,529 or 52%, came from general revenues such as taxes and interest and transfers. Program revenues were composed of charges for services of \$5,975,855, which included permit revenues, fees and charges used to fund expenses incurred in providing services; \$2,812,004 of operating grants and contributions, which included gas tax revenues and housing and police grants; and capital grants and contributions of \$3,904,909, that consisted mainly of project grants and developer impact fees restricted to capital outlay. During the fiscal year ended June, 30,2022, internal charges have been eliminated on the government-wide statements while previously it had not been. This caused an increase in both revenues and expenditures but has no net effect on the operating results of the City but needs to be considered when comparing revenue or expenditure related operating results when viewed in isolation.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Table 3 presents the net expense or revenue of each of the City's governmental activities, including interest on long-term liabilities. Net expense is defined as total program cost less the revenues generated by those specific activities.

Table 3
GOVERNMENTAL ACTIVITIES

	Net Revenue (Expense) from Services 2022	Net Revenue (Expense) from Services 2021
General government	\$ 1,207,481	\$ (1,508,290)
Public safety	40,876	(7,845,286)
Culture and leisure	(1,297,921)	(1,530,756)
Community development	505,439	(974,263)
Transportation	3,707,938	3,230,525
Interest and fiscal charges	(478,448)	(495,036)
Total	\$ 3,685,365	\$ (9,123,106)

**Management's Discussion and Analysis
For the Year Ended June 30, 2022**

BUSINESS-TYPE ACTIVITIES

The Statement of Net Position and Statement of Activities presents a summary of the City's Business-type activities that are composed of the City's enterprise funds.

Table 4
BUSINESS-TYPE NET POSITION AT JUNE 30, 2022

	Business-type Activities 2022	Business-type Activities 2021
Assets		
Cash and investments	\$ 31,230,823	\$ 27,489,059
Other assets	1,812,237	1,842,780
Capital assets, net	55,677,595	57,770,941
Net pension asset	269,064	-
Total Assets	88,989,719	87,102,780
Deferred Outflows of Resources		
OPEB related	792,817	677,179
Pension related	73,167	89,458
Total Deferred Outflows of Resources	865,984	766,637
Liabilities		
Other liabilities	2,081,787	2,514,620
Long term liabilities	7,584,450	8,546,393
Net pension liability	-	1,188,141
Total OPEB Liability	401,826	531,286
Total Liabilities	10,068,063	12,780,440
Deferred Inflows of Resources		
OPEB related	569,265	702,988
Pension related	162,388	23,167
Total Deferred Inflows of Resources	731,653	726,155
Net Position		
Net investment in capital assets	47,151,511	48,032,901
Restricted	-	202,790
Unrestricted	31,904,476	26,127,131
Total Net Position	\$ 79,055,987	\$ 74,362,822

City of Brawley

Management's Discussion and Analysis For the Year Ended June 30, 2022

BUSINESS-TYPE ACTIVITIES (continued)

The net position of business-type activities increased by \$4,693,165 in fiscal year 2021-22 before prior period adjustments.

Table 5
CHANGE IN BUSINESS-TYPE NET POSITION

	Net Revenue (Expense) from Services 2022	Net Revenue (Expense) from Services 2021
Water	\$ 2,646,562	\$ 1,132,561
Wastewater	2,808,240	2,751,635
Solid waste	76,754	87,683
Airport	(423,862)	(421,831)
Total	\$ 5,107,694	\$ 3,550,048

ANALYSIS OF MAJOR FUNDS

Governmental Funds

General Fund

General Fund revenues increased slightly during the current fiscal and while expenditures increased in relation to the previous fiscal year. Total revenues were less than the budgeted amounts by \$(399,303) due in large part to miscellaneous revenues being lower than amounts anticipated. Other tax revenues increased compared to the prior fiscal year. Other revenues fluctuated with relation to the budget but did not have a material effect on the total variance between budgeted and actual operations.

General Fund expenditures were \$16,401,206, an increase of \$1,193,989 compared to the prior year. Expenditures were \$2,339,468 less than budgeted.

As of June 30, 2022, the General Fund's fund balance totaled \$5,598,209. The unassigned portion of \$3,082,747 of the fund balances represents available liquid resources.

Economic and Community Development Special Revenue Fund

This fund is utilized to track deferred loans receivable. Funds were not utilized in the fiscal year 2021-22.

City of Brawley

Management's Discussion and Analysis For the Year Ended June 30, 2022

ANALYSIS OF MAJOR FUNDS (continued)

American Rescue Plan Act

This fund accounts for federal funding received as part of the American Rescue Plan Act passed by Congress to provide funding for economic recovery for local governments resulting from economic hardship caused by the coronavirus pandemic. During fiscal year 2021-22, the City allocated funding primarily to projects with high priority such as the acquisition of equipment and vehicles for Public Safety and City infrastructure.

Highway Relinquishment Fund

This fund accounts for the revenues received by the City under SB325 for public transportation. Funds are being held for the resurfacing of Main Street scheduled to begin in fiscal year 2023-24.

Measure D Fund

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 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. Revenues are allocated to each participating jurisdiction based on a formula contained in the ballot measure. During fiscal year 2021-22, the City received \$ 1,688,611 in tax proceeds, 30% higher or \$386,568 more than the prior year. Measure D funds have been allocated to multi-year street improvement projects.

Development Impact Fees Fund

This fund accounts 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. During fiscal year 2021-22, Development Impact Fees remained mostly the same compared to the prior year. Development Impact Fees expenditures were \$42,091, a decrease of \$(542,514) compared to the prior year. The decrease is largely due to Public Safety and Parks projects being scheduled for completion during fiscal years 2022/23 and 2023/24.

Proprietary Funds

Water Fund

Operating revenues increased \$545,442 in fiscal year 2021-22 and expenses decreased by \$954,076 resulting in a net operating gain of \$2,672,706. This change was largely due to a decrease in salary and benefit costs from prior year. Water usage increased with industrial customers but remained consistent with residents.

The fund's net position increased by \$2,424,719 to a new total of \$28,173,728. Of this amount, \$19,908,127 was net investment in capital assets and \$8,265,601 was unrestricted.

City of Brawley

Management's Discussion and Analysis For the Year Ended June 30, 2022

ANALYSIS OF MAJOR FUNDS (continued)

Wastewater Fund

Operating revenues decreased \$(342,583) in the fiscal year 2021-22. Operating expenses decreased by \$(480,585). The fund's net position increased by \$2,451,315 in fiscal year 2021. There weren't any significant changes in operations during the current fiscal year.

As of June 30, 2022, the fund's net position was \$44,790,422, of which \$22,062,441 was net investment in capital assets and \$22,727,981 was unrestricted.

Solid Waste Fund

Operating revenues increased by \$47,262 in the fiscal year 2021-22. Operating expenses increased by \$58,191. The fund's net position increased by \$168,782 in fiscal year 2021-22. There were not significant changes in operations during the current fiscal year.

As of June 30, 2022, the fund's net position was \$324,382, from which zero was allocated to investment in capital assets and \$324,382 was unrestricted.

CAPITAL ASSETS

GASB No. 34 required the City to record all its capital assets including infrastructure, which was not recorded prior to GASB No. 34. Infrastructure includes roads, bridges, signals and similar assets used by the entire population.

The City performs a thorough review and inventory of its capital assets at the end of every fiscal year and records all additions and retirements of capital assets at that time. In addition, all assets are appropriately depreciated at that time.

In fiscal year 2021-22, the City reported the cost of all its infrastructure assets and computed the amounts of accumulated depreciation for these assets based on their original acquisition dates. At the end of fiscal year 2021-22, the cost of infrastructure and other capital assets, net of depreciation recorded on the City's financial statements is as shown in Table 6 on the following page.

City of Brawley

Management's Discussion and Analysis For the Year Ended June 30, 2022

CAPITAL ASSETS (continued)

Table 6

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 966,706	\$ 966,706	\$ 37,076	\$ 37,076	\$ 1,003,782	\$ 1,003,782
Construction in progress	2,945,178	5,177,327	701,064	1,477,596	3,646,242	6,654,923
Equipment	1,888,178	1,743,758	781,081	889,590	2,669,259	2,633,348
Buildings	8,019,732	8,479,117	30,763,454	32,116,924	38,783,186	40,596,041
Improvements other than buildings	7,872,838	8,553,439	7,244,974	7,820,023	15,117,812	16,373,462
Infrastructure	8,205,134	8,007,274	-	-	8,205,134	8,007,274
Conveyance systems	-	-	16,149,946	15,429,732	16,149,946	15,429,732
Total	\$29,897,766	\$32,927,621	\$55,677,595	\$57,770,941	\$85,575,361	\$90,698,562

Details on capital assets, current year additions and construction in progress can be found in the Notes.

The City depreciates all its capital assets over their estimated useful lives, as required by GASB No. 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on depreciable lives may be found in the Notes to the financial statements.

DEBT ADMINISTRATION

The City issued no new bonded debt in fiscal year 2021-22. The City made all scheduled repayments of existing debt. The City's debt issues are discussed in detail in Notes of the financial statements. The City's debt balances as of June 30 were as follows:

Table 7

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Pension obligation bonds	\$ 12,575,000	\$ 13,260,000	\$ -	\$ -	\$ 12,575,000	\$ 13,260,000
Financed purchases	182,007	139,798	139,802	45,853	321,809	185,651
Contracts payable	-	-	-	292,634	-	292,634
MFC note payable	-	-	695,986	961,801	695,986	961,801
CSWRCB loan	-	-	7,690,296	8,417,967	7,690,296	8,417,967
Compensated absences	523,065	683,140	141,476	157,062	664,541	840,202
Total	\$13,280,072	\$14,082,938	\$ 8,667,560	\$ 9,875,317	\$21,947,632	\$23,958,255

ECONOMIC CONDITION, OUTLOOK AND ACTIVITY

The City continues to see a slowly improving economy along with a gradual increase in economic activity throughout the community. Positive change in the economy is beginning to reach the southeastern corner of the State in which Brawley is located. Property assessment remains stable and construction activity is seeing an uptick with renewed interest in new home building. Brawley's sales tax revenue continues to increase year to year, and the City is estimating sales tax revenue to at least remain at the current level for the next year.

The voters approved the Utility Users Tax measure in November of 2022. The City amended the Utility Users Tax Ordinance removing the sunset date, retaining the 4% tax rate and extending the tax to modernized telecommunication services. The City is estimating Utility Users tax revenue to increase for the next year. The City continues to maintain a fiscally responsible and conservative approach to its fiscal management and will continue to monitor the economic activity of the City.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of the City's finances. Questions about this report should be directed to the City of Brawley, 383 W. Main Street, Brawley, CA or by telephone at 760-344-8941.

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City of Brawley

Statement of Net Position June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 37,683,080	\$ 31,230,823	\$ 68,913,903
Restricted cash and investments with fiscal agent	193,502	-	193,502
Accounts receivable	294,039	1,709,320	2,003,359
Interest receivable	63,446	14,735	78,181
Loans receivable	7,444,454	-	7,444,454
Due from other governments	1,767,616	88,182	1,855,798
Prepaid expenses	753,797	-	753,797
Total current assets	48,199,934	33,043,060	81,242,994
Noncurrent Assets:			
Capital assets not being depreciated	3,911,884	738,140	4,650,024
Capital assets, net of accumulated depreciation	25,985,882	54,939,455	80,925,337
Net pension asset	1,960,134	269,064	2,229,198
Total noncurrent assets	31,857,900	55,946,659	87,804,559
Total assets	80,057,834	88,989,719	169,047,553
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	5,775,672	792,817	6,568,489
OPEB related	782,903	73,167	856,070
Total deferred outflows of resources	6,558,575	865,984	7,424,559
LIABILITIES			
Current Liabilities:			
Accounts payable	830,399	291,059	1,121,458
Accrued liabilities	235,999	92,052	328,051
Accrued interest payable	155,596	41,634	197,230
Deposits payable	784,127	573,932	1,358,059
Unearned revenue	10,742,845	-	10,742,845
Total current liabilities	12,748,966	998,677	13,747,643
Noncurrent liabilities:			
Due within one year	969,450	1,083,110	2,052,560
Due in more than one year	12,310,622	7,584,450	19,895,072
Total OPEB liability	4,299,532	401,826	4,701,358
Total noncurrent liabilities	17,579,604	9,069,386	26,648,990
Total liabilities	30,328,570	10,068,063	40,396,633
DEFERRED INFLOWS OF RESOURCES			
Pension related	4,147,103	569,265	4,716,368
OPEB related	1,737,564	162,388	1,899,952
Total deferred inflows of resources	5,884,667	731,653	6,616,320
NET POSITION			
Net investment in capital assets	29,715,759	47,151,511	76,867,270
Restricted for:			
Streets and roads	10,222,839	-	10,222,839
Public safety	719,853	-	719,853
Community development	15,715,963	-	15,715,963
CFD improvements and maintenance	1,124,009	-	1,124,009
Library	58,904	-	58,904
Unrestricted	(7,154,155)	31,904,476	24,750,321
Total net position	\$ 50,403,172	\$ 79,055,987	\$ 129,459,159

The accompanying notes are an integral part of these financial statements.

City of Brawley

Statement of Activities For the Fiscal Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 4,171,987	\$ 3,717,368	\$ 1,001,188	\$ 660,912
Public safety	700,927	136,127	605,676	-
Culture and leisure	1,601,000	303,079	-	-
Community development	619,594	784,191	312,366	28,476
Transportation	1,435,447	1,035,090	892,774	3,215,521
Interest on long-term debt	478,448	-	-	-
Total governmental activities	9,007,403	5,975,855	2,812,004	3,904,909
Business-type Activities:				
Water	5,104,981	7,751,543	-	-
Wastewater	3,725,194	6,533,434	-	-
Solid waste	1,653,432	1,730,186	-	-
Airport	539,874	116,012	-	-
Total business-type activities	11,023,481	16,131,175	-	-
Total primary government	\$ 20,030,884	\$ 22,107,030	\$ 2,812,004	\$ 3,904,909

General Revenues:

Taxes:

- Property taxes
- Sales and use
- Utility users taxes
- Transient lodging taxes
- Franchise taxes
- Business license taxes

Licenses and permits

Fines and forfeitures

Miscellaneous

Use of money and property

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of fiscal year, as restated

Net position - end of fiscal year

The accompanying notes are an integral part of these financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
<u>Activities</u>	<u>Activities</u>	
\$ 1,207,481	\$ -	\$ 1,207,481
40,876	-	40,876
(1,297,921)	-	(1,297,921)
505,439	-	505,439
3,707,938	-	3,707,938
(478,448)	-	(478,448)
<u>3,685,365</u>	<u>-</u>	<u>3,685,365</u>
-	2,646,562	2,646,562
-	2,808,240	2,808,240
-	76,754	76,754
-	(423,862)	(423,862)
<u>-</u>	<u>5,107,694</u>	<u>5,107,694</u>
<u>3,685,365</u>	<u>5,107,694</u>	<u>8,793,059</u>
5,093,458	-	5,093,458
4,024,975	-	4,024,975
2,338,204	-	2,338,204
481,889	-	481,889
604,270	-	604,270
39,764	-	39,764
32,867	-	32,867
15,333	-	15,333
1,156,132	119,776	1,275,908
(293,473)	(380,195)	(673,668)
154,110	(154,110)	-
<u>13,647,529</u>	<u>(414,529)</u>	<u>13,233,000</u>
17,332,894	4,693,165	22,026,059
<u>33,070,278</u>	<u>74,362,822</u>	<u>107,433,100</u>
<u>\$ 50,403,172</u>	<u>\$ 79,055,987</u>	<u>\$ 129,459,159</u>

City of Brawley

Balance Sheet June 30, 2022

	Special Revenue Funds			
	General	Economic & Community Development	American Rescue Plan Act (ARPA)	Highway Relinquishment
ASSETS				
Cash and investments	\$ 5,103,968	\$ 963,220	\$ 1,966,806	\$ 8,816,309
Restricted cash and investments with fiscal agent	-	601	-	-
Interest receivable	-	456	931	4,173
Accounts receivable	294,039	-	-	-
Due from other governments	1,355,491	586	-	-
Due from other funds	577,108	-	-	-
Loans receivable	-	6,674,197	-	-
Prepaid expenditures	88,606	-	665,191	-
Total assets	\$ 7,419,212	\$ 7,639,060	\$ 2,632,928	\$ 8,820,482
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 611,896	\$ -	\$ 42,908	\$ -
Accrued liabilities	210,640	-	-	-
Deposits payable	457,785	-	-	326,342
Unearned revenue	-	-	2,540,817	7,858,315
Due to other funds	-	-	-	-
Total liabilities	1,280,321	-	2,583,725	8,184,657
Deferred inflows of resources:				
Unavailable revenue	540,682	-	-	-
Total deferred inflows of resources	540,682	-	-	-
Fund balances:				
Nonspendable	88,606	-	-	-
Restricted for:				
Streets and roads	-	-	-	635,825
Public safety	-	-	49,203	-
Community development	-	7,639,060	-	-
CFD improvements and maintenance	-	-	-	-
Library	58,904	-	-	-
Committed	2,367,952	-	-	-
Unassigned	3,082,747	-	-	-
Total fund balances	5,598,209	7,639,060	49,203	635,825
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,419,212	\$ 7,639,060	\$ 2,632,928	\$ 8,820,482

The accompanying notes are an integral part of these financial statements.

Special Revenue Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Measure D	Development Impact Fees		
\$ 7,105,740	\$ 8,050,283	\$ 4,176,614	\$ 36,182,940
-	-	192,901	193,502
3,363	52,776	1,039	62,738
-	-	-	294,039
-	-	411,539	1,767,616
-	-	-	577,108
-	765,672	-	7,439,869
-	-	-	753,797
<u>\$ 7,109,103</u>	<u>\$ 8,868,731</u>	<u>\$ 4,782,093</u>	<u>\$ 47,271,609</u>
\$ 19,968	\$ -	\$ 152,979	\$ 827,751
-	-	22,327	232,967
-	-	-	784,127
-	-	343,713	10,742,845
-	-	101,850	101,850
<u>19,968</u>	<u>-</u>	<u>620,869</u>	<u>12,689,540</u>
-	814,693	211,317	1,566,692
-	814,693	211,317	1,566,692
-	-	-	88,606
7,089,135	-	2,497,879	10,222,839
-	-	670,650	719,853
-	8,054,038	22,865	15,715,963
-	-	1,124,009	1,124,009
-	-	-	58,904
-	-	-	2,367,952
-	-	(365,496)	2,717,251
<u>7,089,135</u>	<u>8,054,038</u>	<u>3,949,907</u>	<u>33,015,377</u>
<u>\$ 7,109,103</u>	<u>\$ 8,868,731</u>	<u>\$ 4,782,093</u>	<u>\$ 47,271,609</u>

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City of Brawley

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position Governmental Funds June 30, 2022

Fund balances of governmental funds	\$ 33,015,377
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. Capital assets of the internal service fund are included below (\$1,240,682).	28,657,084
In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB 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 and OPEB are reported.	
Pension related deferred outflows	5,775,672
OPEB related deferred outflows	782,903
Pension related deferred inflows	(4,147,103)
OPEB related deferred inflows	(1,737,564)
Long-term liabilities and assets have not been included in the governmental funds.	
Long-term debt	(12,757,007)
Total OPEB liability	(4,299,532)
Net pension asset	1,960,134
Compensated absences	(523,065)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of net position, it is recognized in the period that it is incurred.	(155,596)
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.	2,265,177
In governmental funds, certain receivables are not available to pay for current period expenditures and, therefore, are offset by unavailable revenue or not recognized as receivables in the fund statements.	<u>1,566,692</u>
Net position of governmental activities	<u>\$ 50,403,172</u>

The accompanying notes are an integral part of these financial statements.

City of Brawley

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2022

	General	Special Revenue Funds		
		Economic & Community Development	American Rescue Plan Act (ARPA)	Highway Relinquishment
REVENUES				
Taxes:				
Property	\$ 4,854,270	\$ -	\$ -	\$ -
Sales and use	4,024,975	-	-	-
Utility users	2,338,204	-	-	-
Transient lodging	481,889	-	-	-
Franchise	604,270	-	-	-
Business license	39,764	-	-	-
Licenses and permits	32,867	-	-	-
Fines and forfeitures	15,310	-	-	-
Charges for services	4,354,538	-	-	-
Use of money and property	52,998	87,878	(31,520)	(125,047)
Intergovernmental	460,506	28,476	660,912	-
Miscellaneous	332,560	106	32,570	-
Total revenues	<u>17,592,151</u>	<u>116,460</u>	<u>661,962</u>	<u>(125,047)</u>
EXPENDITURES				
Current:				
General government	2,926,606	-	347,171	-
Public safety	8,707,394	-	18,007	-
Culture and leisure	2,104,271	-	-	-
Community development	1,404,108	28,719	-	-
Public works	27,744	-	-	24,969
Capital outlay	39,710	-	247,581	-
Debt Service:				
Principal	715,130	-	-	-
Interest	476,243	-	-	-
Total expenditures	<u>16,401,206</u>	<u>28,719</u>	<u>612,759</u>	<u>24,969</u>
Excess of revenues over (under) expenditures	<u>1,190,945</u>	<u>87,741</u>	<u>49,203</u>	<u>(150,016)</u>
OTHER FINANCING SOURCES (USES)				
Financed purchase	39,710	-	-	-
Transfers in	404,104	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>443,814</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,634,759	87,741	49,203	(150,016)
Fund balances - beginning of fiscal year	<u>3,963,450</u>	<u>7,551,319</u>	<u>-</u>	<u>785,841</u>
Fund balances - end of fiscal year	<u>\$ 5,598,209</u>	<u>\$ 7,639,060</u>	<u>\$ 49,203</u>	<u>\$ 635,825</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Measure D</u>	<u>Development Impact Fees</u>		
\$ -	\$ -	\$ 239,188	\$ 5,093,458
-	-	-	4,024,975
-	-	-	2,338,204
-	-	-	481,889
-	-	-	604,270
-	-	-	39,764
-	-	-	32,867
-	-	-	15,310
-	1,618,165	3,177	5,975,880
(99,515)	(111,254)	(44,562)	(271,022)
2,002,880	2,125	2,810,014	5,964,913
-	250,761	549,765	1,165,762
<u>1,903,365</u>	<u>1,759,797</u>	<u>3,557,582</u>	<u>25,466,270</u>
-	5,775	1,306	3,280,858
-	-	174,540	8,899,941
-	-	-	2,104,271
-	-	75,735	1,508,562
282,602	-	1,294,319	1,629,634
-	36,316	995,608	1,319,215
-	-	5,769	720,899
-	-	788	477,031
<u>282,602</u>	<u>42,091</u>	<u>2,548,065</u>	<u>19,940,411</u>
<u>1,620,763</u>	<u>1,717,706</u>	<u>1,009,517</u>	<u>5,525,859</u>
-	-	22,375	62,085
-	-	1,514,060	1,918,164
(314,719)	-	(1,443,930)	(1,758,649)
<u>(314,719)</u>	<u>-</u>	<u>92,505</u>	<u>221,600</u>
1,306,044	1,717,706	1,102,022	5,747,459
<u>5,783,091</u>	<u>6,336,332</u>	<u>2,847,885</u>	<u>27,267,918</u>
<u>\$ 7,089,135</u>	<u>\$ 8,054,038</u>	<u>\$ 3,949,907</u>	<u>\$ 33,015,377</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, 2022

Net change in fund balances - total governmental funds	\$ 5,747,459
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 capital asset additions exceeds depreciation in the current period.	(1,354,413)
Certain revenues are reported in the government-wide statements but not in the governmental funds because they are not available to pay for current expenditures. This is the net change in associated receivables for the current period.	774,940
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.	
Debt issuance	(94,655)
Principal Repayment	737,446
Accrued interest for debt service. This is the net change in accrued interest for the current period.	(1,417)
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental funds. This is the net change in compensated absences for the current period.	160,075
In governmental funds, pension and OPEB costs are recognized when employer contributions are made. In the statement of activities, pension and OPEB costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension and OPEB costs and actual employer contributions including supplemental contributions are as follows:	
Pension related costs and contributions	11,815,381
OPEB related costs and contributions	(278,756)
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.	(173,166)
Change in net position of governmental activities	<u>\$ 17,332,894</u>

The accompanying notes are an integral part of these financial statements.

City of Brawley

Statement of Net Position Proprietary Funds June 30, 2022

	Business-type Activities Enterprise Funds			
	Water	Wastewater	Solid Waste	Nonmajor Airport
ASSETS				
Current Assets:				
Cash and investments	\$ 9,073,493	\$ 21,505,795	\$ 140,697	\$ 510,838
Accounts receivable, net	847,414	660,745	183,618	17,543
Interest receivable	4,264	10,162	67	242
Due from other governments	439	18,961	-	68,782
Loans receivable	-	-	-	-
Total current assets	9,925,610	22,195,663	324,382	597,405
Noncurrent Assets:				
Advances to other funds	-	715,019	-	-
Capital assets not being depreciated	615,038	121,152	-	1,950
Capital assets, net of accumulated depreciation	20,107,398	29,653,064	-	5,178,993
Net pension asset	156,267	112,797	-	-
Total noncurrent assets	20,878,703	30,602,032	-	5,180,943
Total assets	30,804,313	52,797,695	324,382	5,778,348
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	460,451	332,366	-	-
OPEB related	43,900	29,267	-	-
Total deferred outflows of resources	504,351	361,633	-	-
LIABILITIES				
Current Liabilities:				
Accounts payable	211,122	73,352	-	6,585
Accrued liabilities	57,619	34,427	-	6
Interest payable	3,183	38,451	-	-
Deposits payable	568,630	1,000	-	4,302
Due to other funds	-	-	-	-
Current portion of compensated absences	28,772	13,670	-	-
Current portion of long-term liabilities	300,032	740,636	-	-
Total current liabilities	1,169,358	901,536	-	10,893
Noncurrent Liabilities:				
Compensated absences	67,136	31,898	-	-
Long-term liabilities	514,277	6,971,139	-	-
Advances from other funds	715,019	-	-	-
Total OPEB liability	241,096	160,730	-	-
Total noncurrent liabilities	1,537,528	7,163,767	-	-
Total liabilities	2,706,886	8,065,303	-	10,893
DEFERRED INFLOWS OF RESOURCES				
Pension related	330,617	238,648	-	-
OPEB related	97,433	64,955	-	-
Total deferred inflows of resources	428,050	303,603	-	-
NET POSITION				
Net investment in capital assets	19,908,127	22,062,441	-	5,180,943
Unrestricted	8,265,601	22,727,981	324,382	586,512
Total net position	\$ 28,173,728	\$ 44,790,422	\$ 324,382	\$ 5,767,455

The accompanying notes are an integral part of these financial statements.

Totals	Governmental Activities Internal Service Funds
\$ 31,230,823	\$ 1,500,140
1,709,320	-
14,735	708
88,182	-
-	4,585
<u>33,043,060</u>	<u>1,505,433</u>
715,019	-
738,140	11,138
54,939,455	1,229,544
269,064	-
<u>56,661,678</u>	<u>1,240,682</u>
<u>89,704,738</u>	<u>2,746,115</u>
792,817	-
73,167	-
<u>865,984</u>	<u>-</u>
291,059	2,648
92,052	3,032
41,634	-
573,932	-
-	475,258
42,442	-
1,040,668	-
<u>2,081,787</u>	<u>480,938</u>
99,034	-
7,485,416	-
715,019	-
401,826	-
<u>8,701,295</u>	<u>-</u>
<u>10,783,082</u>	<u>480,938</u>
569,265	-
162,388	-
<u>731,653</u>	<u>-</u>
47,151,511	1,240,682
31,904,476	1,024,495
<u>\$ 79,055,987</u>	<u>\$ 2,265,177</u>

City of Brawley

Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds For the Fiscal Year Ended June 30, 2022

	Business-type Activities Enterprise Funds			
	Water	Wastewater	Solid Waste	Nonmajor Airport
Operating Revenues:				
Charges for services	\$ 7,751,543	\$ 6,533,434	\$ 1,730,186	\$ 116,012
Operating Expenses:				
Salary and benefits	318,206	30,872	2,017	267
Administration	443,400	427,200	-	11,900
Supplies and services	2,812,789	2,184,577	1,651,415	60,795
Depreciation and amortization	1,504,442	1,001,148	-	466,912
Total operating expenses	5,078,837	3,643,797	1,653,432	539,874
Operating income (loss)	2,672,706	2,889,637	76,754	(423,862)
Non-Operating Revenues (Expenses:)				
Use of money and property	(117,631)	(307,691)	52,488	(7,361)
Intergovernmental revenue	-	-	39,540	80,236
Interest expense and fiscal charges	(26,144)	(81,397)	-	-
Total non-operating revenues (expenses)	(143,775)	(389,088)	92,028	72,875
Income (loss) before transfers	2,528,931	2,500,549	168,782	(350,987)
Transfers:				
Transfers out	(104,212)	(49,234)	-	(664)
Total Transfers	(104,212)	(49,234)	-	(664)
Changes in net position	2,424,719	2,451,315	168,782	(351,651)
Total Net Position - beginning of fiscal year	25,749,009	42,339,107	155,600	6,119,106
Total Net Position - ending of fiscal year	\$ 28,173,728	\$ 44,790,422	\$ 324,382	\$ 5,767,455

The accompanying notes are an integral part of these financial statements.

<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
<u>\$ 16,131,175</u>	<u>\$ 2,270,548</u>
351,362	60,300
882,500	-
6,709,576	2,216,711
<u>2,972,502</u>	<u>138,845</u>
<u>10,915,940</u>	<u>2,415,856</u>
<u>5,215,235</u>	<u>(145,308)</u>
(380,195)	(22,453)
119,776	-
<u>(107,541)</u>	<u>-</u>
<u>(367,960)</u>	<u>(22,453)</u>
<u>4,847,275</u>	<u>(167,761)</u>
<u>(154,110)</u>	<u>(5,405)</u>
<u>(154,110)</u>	<u>(5,405)</u>
4,693,165	(173,166)
<u>74,362,822</u>	<u>2,438,343</u>
<u>\$ 79,055,987</u>	<u>\$ 2,265,177</u>

City of Brawley

Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2022

	Business-type Activities Enterprise Funds			
	Water	Wastewater	Solid Waste	Nonmajor Airport
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 7,221,376	\$ 6,076,699	\$ 1,702,096	\$ 108,555
Cash payments to suppliers for goods and services	(2,821,623)	(2,232,274)	(1,764,894)	(59,778)
Cash payments for employees and benefit programs	(1,307,164)	(727,096)	(2,017)	(261)
Net cash provided (used) by operating activities	<u>3,092,589</u>	<u>3,117,329</u>	<u>(64,815)</u>	<u>48,516</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers	(104,212)	(49,234)	-	(664)
Interfund borrowing (repayment)	-	-	-	-
Cash received (payments) from (to) other governments	-	-	39,540	11,673
Loan repayment	(100,115)	100,115	-	-
Net cash provided (used) by non-capital financing activities	<u>(204,327)</u>	<u>50,881</u>	<u>39,540</u>	<u>11,009</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	(718,341)	(52,729)	-	-
Principal paid on debt	(378,871)	(920,362)	-	-
Interest on debt and fiscal charges	5,333	(142,398)	-	-
Net cash used by capital and related financing activities	<u>(1,091,879)</u>	<u>(1,115,489)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Use of money and property	(120,189)	(313,345)	52,493	(7,497)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,676,194	1,739,376	27,218	52,028
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	<u>7,397,299</u>	<u>19,766,419</u>	<u>113,479</u>	<u>458,810</u>
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	<u>\$ 9,073,493</u>	<u>\$ 21,505,795</u>	<u>\$ 140,697</u>	<u>\$ 510,838</u>

The accompanying notes are an integral part of these financial statements.

(continued)

Totals	Governmental Activities Internal Service Fund
\$ 15,108,726	\$ 2,270,548
(6,878,569)	(515,078)
<u>(2,036,538)</u>	<u>(60,154)</u>
6,193,619	1,695,316
(154,110)	(5,405)
-	(1,772,517)
51,213	-
<u>-</u>	<u>1,361</u>
<u>(102,897)</u>	<u>(1,776,561)</u>
(771,070)	-
(1,299,233)	-
<u>(137,065)</u>	<u>-</u>
<u>(2,207,368)</u>	<u>-</u>
<u>(388,538)</u>	<u>(22,791)</u>
3,494,816	(104,036)
<u>27,736,007</u>	<u>1,604,176</u>
<u>\$ 31,230,823</u>	<u>\$ 1,500,140</u>

City of Brawley

Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2022

	Business-type Activities Enterprise Funds			
	Water	Wastewater	Solid Waste	Nonmajor Airport
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 2,672,706	\$ 2,889,637	\$ 76,754	\$ (423,862)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	1,504,442	1,001,148	-	466,912
(Increase) decrease in accounts receivable	(87,386)	(58,623)	(28,090)	4,643
(Increase) decrease in due from other governments	869	29,088	-	-
Increase (decrease) in prepaids	-	-	-	-
Increase (decrease) in net pension asset	(156,267)	(112,797)	-	-
Increase (decrease) in deferred outflows	(53,740)	(45,607)	-	-
Increase (decrease) in accounts payable and accrued liabilities	(2,666)	(42,947)	(113,479)	1,023
Increase (decrease) in compensated absences	(22,863)	7,277	-	-
Increase (decrease) in net pension liability	(690,300)	(497,841)	-	-
Increase (decrease) in OPEB liability	(77,676)	(51,784)	-	-
Increase (decrease) in deferred inflows	5,720	(222)	-	-
Increase (decrease) in deposits payable	(250)	-	-	(200)
Total adjustments	419,883	227,692	(141,569)	472,378
Net cash provided by (used by) operating activities	\$ 3,092,589	\$ 3,117,329	\$ (64,815)	\$ 48,516
Schedule of Noncash investing, capital and related financing activities:				
Acquisition of financed asset	\$ 95,500	\$ 12,586	\$ -	\$ -
Financing liability	\$ (95,500)	\$ (12,586)	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

(concluded)

<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 5,215,235	\$ (145,308)
2,972,502	138,845
(169,456)	-
29,957	-
-	1,699,093
(269,064)	-
(99,347)	-
(158,069)	2,686
(15,586)	-
(1,188,141)	-
(129,460)	-
5,498	-
(450)	-
<u>978,384</u>	<u>1,840,624</u>
<u>\$ 6,193,619</u>	<u>\$ 1,695,316</u>
<u>\$ 108,086</u>	<u>\$ -</u>
<u>\$ (108,086)</u>	<u>\$ -</u>

City of Brawley

**Statement of Net Position
Fiduciary Fund
June 30, 2022**

	Private Purpose Trust Fund
	<u>RDA Successor Agency</u>
ASSETS	
Cash and investments	\$ 260,472
Interest receivable	29
Land held for resale	<u>1,081,003</u>
Total Assets	<u>1,341,504</u>
LIABILITIES	
Interest payable	27,244
Long-term liabilities:	
Due within one year	197,697
Due in more than one year	<u>3,457,758</u>
Total Liabilities	<u>3,682,699</u>
NET POSITION (DEFICIT)	
Unrestricted	<u>(2,341,195)</u>
Total Net position	<u><u>\$ (2,341,195)</u></u>

The accompanying notes are an integral part of these financial statements.

City of Brawley

**Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended June 30, 2022**

	Private Purpose Trust Fund RDA Successor Agency
Additions:	
Tax increment	\$ 336,939
Use of money and property	(138)
Miscellaneous revenues	359
	<hr/>
Total additions	337,160
	<hr/>
Deductions:	
Community development	2,470
Interest	113,228
Administrative expenses	25,000
	<hr/>
Total deductions	140,698
	<hr/>
Change in net position	196,462
Net position (deficit) - beginning of fiscal year, as restated	<hr/> (2,537,657)
Net position (deficit) - end of fiscal year	<hr/> <u>\$ (2,341,195)</u>

The accompanying notes are an integral part of these financial statements.

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City of Brawley

Notes to Basic Financial Statements June 30, 2022

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 facilitate the financing of the water and wastewater treatment facilities through the issuance of certificates of participation. The debt has since been defeased and, as such, any liability for those certificates of participation has been removed from the City of Brawley’s financial statements. The Brawley Public Improvement Corporation is reported within the primary government, however there are no balances and there has been no activity during fiscal year ended June 30, 2022.

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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B) Basis of Presentation (continued)

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 governmental funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

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 of all fund types. 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.

American Rescue Plan Act (ARPA) Fund

This fund is used to account for federal funding received as part of the American Rescue Plan Act passed by Congress to provide funding for economic recovery for local governments resulting from economic hardship caused by the coronavirus pandemic.

Highway Relinquishment 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. This fund also accounts for \$7,858,315 received (unearned revenue until spent) from the State of California for ongoing maintenance and repairs related to relinquished portions of streets and street lights.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C) Major Funds (continued)

Measure D

This fund accounts 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.

Development Impact Fees Fund

This fund accounts 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.

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.

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.

The City also reports the following fund:

Private Purpose Trust Fund

This Fund is used to account for the activities of the Successor Agency to the Brawley Redevelopment Agency.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the 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.

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 sixty 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 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 yearend 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.

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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 establish 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.

G) Revenue Recognition

Revenue from taxpayer-assessed taxes (sales and use, business license, gas, and franchise fees) is accrued in governmental funds when they are both measurable and available. The City considers these taxes available if they are received within 60 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 measurable and available. 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.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

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 and have a useful life of more than 3 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition 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 are 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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 expensed when paid.

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.

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 for government-wide, proprietary funds, and fiduciary funds and 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.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U) Pensions

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

V) Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense of the City's defined benefit OPEB plan are measured 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.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

W) Deferred Outflows and Inflows of Resources

The City recognizes deferred outflows and inflows of resources in relation to unavailable revenues, pension, and OPEB. 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. The City recognizes deferred outflows/inflows of resources related to pensions and OPEB.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

X) Implementation of New GASB Pronouncements

Governmental Accounting Standards Board has issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Based on the City's evaluation, no leases meeting disclosure requirements were identified.

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/Net Position

At June 30, 2022, the following funds had an accumulated deficit:

Fund	Amount
Gas Tax	\$ (263,592)
Asset Forfeiture	(54)
CDBG - Sr. Citizen Utility Grant	(101,850)
Internal Service Fund:	
Risk Management Fund	(472,591)

This fund balance/net position deficit is primarily due to the City incurring costs in excess of revenues. The Funds should alleviate this deficit as revenues are received or as General Fund transfers funds.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

C) Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2022, the following funds had excess of expenditures over appropriations:

Fund	Final Appropriation	Expenditures	Excess
General Fund			
Public works	\$ 23,786	\$ 27,744	\$ (3,958)
Capital outlay	-	39,710	(39,710)
Debt service:			
Principal	685,000	715,130	(30,130)
Interest	472,720	476,243	(3,523)
ARPA Fund			
Public safety	-	18,007	(18,007)
Measure D			
Public works	279,031	282,602	(3,571)

Excess of current expenditures over appropriation in the General Fund is due to graffiti abatement salaries over budget. COLA was not budgeted. In addition, the capital outlay and debt service excess expenditures are related to financed purchases not being budgeted. For the ARPA Fund, excess expenditure is due to unbudgeted vehicle purchase. For Measure D fund, excess expenditure is due to higher than budgeted street sweeping services.

3) CASH AND INVESTMENTS

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 68,913,903
Restricted cash and investments with fiscal agent	193,502
Fiduciary Fund:	
Cash and investments	<u>260,472</u>
Total cash and investments, Statement of Net Position	<u><u>\$ 69,367,877</u></u>

City of Brawley

Notes to Basic Financial Statements June 30, 2022

3) CASH AND INVESTMENTS (continued)

Cash and investments as of June 30, 2022 consist of the following:

Cash on hand	\$ 5,575
Deposits with financial institutions	33,555,585
Investments	<u>35,806,717</u>
 Total cash and investments	 <u><u>\$ 69,367,877</u></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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Government Bonds	5 years	80%	Less than 80%
U.S. Treasury Obligations	5 years	80%	Less than 80%
U.S. Government Agency Securities	5 years	80%	Less than 80%
Banker's Acceptances	180 days	40%	30%
Commercial Paper, Prime Quality	270 days	25%	10%
Certificates of Deposit	5 years	None	None
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 (LAIF)	N/A	None	\$75 Million

City of Brawley

Notes to Basic Financial Statements June 30, 2022

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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
Certificates of Deposit	5 years	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 (LAIF)	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:

Investment Type	Totals	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	\$ 15,389,205	\$ 15,389,205	\$ -	\$ -
Certificates of Deposit	4,555,109	4,555,109	-	-
Negotiable Certificates of Deposit	9,105,454	1,520,289	739,002	6,846,163
U.S. Government Agency Securities	6,756,949	-	1,104,944	5,652,005
Total	\$ 35,806,717	\$ 21,464,603	\$ 1,843,946	\$ 12,498,168

City of Brawley

Notes to Basic Financial Statements June 30, 2022

3) CASH AND INVESTMENTS (continued)

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.

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.

Investment Type	Totals	Minimum Legal Rating	Rating as of Fiscal Year End			
			AA	A	BBB	Not Rated
Local Agency Investment Fund (LAIF)	\$ 15,389,205	N/A	\$ -	\$ -	\$ -	\$ 15,389,205
Certificates of Deposit	4,555,109	N/A	-	-	-	4,555,109
Negotiable Certificates of Deposit	9,105,454	N/A	-	-	-	9,105,454
U.S. Government Agency Securities	6,756,949	N/A	4,557,023	1,739,631	460,295	-
	<u>\$ 35,806,717</u>		<u>\$ 4,557,023</u>	<u>\$ 1,739,631</u>	<u>\$ 460,295</u>	<u>\$ 29,049,768</u>

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.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

3) CASH AND INVESTMENTS (continued)

F) Concentration of Credit Risk (continued)

As of June 30, 2022, 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 basis of \$1 and not fair value. Currently, LAIF does not have an investment rating. LAIF has a minimum \$5,000 transaction amount in increments of \$1,000 with a maximum of 15 transactions (combination of deposits and withdrawals) per month. LAIF requires a one-day prior notice for deposits and withdrawals of \$10 million or more.

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 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.

<u>Pooled Investments by Fair Value Hierarchy</u>	<u>Total</u>	<u>FMV Measurement Level 2</u>
Investments subject to fair value hierarchy:		
Certificates of Deposit	\$ 4,555,109	\$ 4,555,109
Negotiable Certificates of Deposit	9,105,454	9,105,454
Federal Agency Securities	6,756,949	6,756,949
Total investments measured at fair value hierarchy	<u>20,417,512</u>	<u>\$ 20,417,512</u>
Investments measured using uncategorized inputs:		
State Investment Pool (LAIF)	<u>15,389,205</u>	
Total investments not subject at fair value hierarchy	<u>15,389,205</u>	
Total investments	<u>\$ 35,806,717</u>	

Both type of Certificates of Deposit and Federal Agency Securities are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curves and indices, and other market-related data and classified in Level 2.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

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. During the fiscal year ended June 30, 2010, the Water Fund had incurred a negative cash balance of \$1,605,839 due to rates not being updated based on cost of operations. In order to meet ongoing financial obligations, the Wastewater Fund advanced the Water Fund the necessary funds. The repayments for these advances began during the fiscal year ended June 30, 2010. The advance incurs interest at a rate of 1.5% per year, the LAIF return rate at the time of inception. The repayment of these advances is subordinate to all other outstanding debt and the cost of operations.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise Fund:	Enterprise Fund:	
Wastewater Fund	Water Fund	\$ 715,019

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, 2022.

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Governmental Fund:		Nonmajor Governmental Funds:	
General Fund	<u>\$577,108</u>	CDBG - Sr. Citizen Utility Grant	\$ 101,850
		Internal Service Fund:	
		Risk Management	<u>475,258</u>
		Total	<u>\$577,108</u>

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

City of Brawley

Notes to Basic Financial Statements June 30, 2022

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 following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2022:

Fund	Transfers in	Transfers out
Major Fund:		
General	\$ 404,104	\$ -
Measure D	-	314,719
Nonmajor Governmental Funds:		
Gas Tax	-	937,920
Pedestrian & Bicycle Facilities	-	283,010
Assessment Districts	-	223,000
Public Transport	283,010	-
Road Maintenance	916,331	-
Streets	314,719	-
Major Proprietary Funds:		
Water	-	104,212
Wastewater	-	49,234
Nonmajor Proprietary Funds:		
Airport	-	664
Internal Service Fund:		
Maintenance	-	5,405
Totals	\$ 1,918,164	\$ 1,918,164

City of Brawley

Notes to Basic Financial Statements June 30, 2022

5) LOANS RECEIVABLE

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

Management Risk Fund - Internal Service Fund

Employee loans, repayment through payroll deductions \$ 4,585

Economic & Community Development Fund - Special Revenue Fund

Loans to Inferno 800. Secured by deed of trust 15,790

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

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:

<u>Program Name</u>	<u>Balance</u>	
04-STBG-1952	\$ 677,368	
03-STBG-1804	134,557	
STBG 2002-1688	183,679	
01-STBG-1569	117,066	
STBG-2000-1453	54,294	
1997 Grant	113,948	
STBG 1996	89,590	
STBG 1994	38,889	
STBG 1993	34,431	
1991 Grant	49,692	
1990 Grant	24,993	
STBG 304	28,671	
Community Development Grants	240,383	
First Time Home Buyer	730,127	
05-CalHOME-134	168,083	
06-CalHOME-261	89,767	
11-HOME-7664	48,649	
15-HOME-10897	366,379	
18-CDBG-12905	67,841	<u>3,258,407</u>

Development Impact Fund - Special Revenue Fund

Development impact fee (DIF) loan deferral for Brawley Pacific Associate. Secured by a Promissory Note and Deed of Trust. 238,879

Development impact fee (DIF) loan deferral for Brawley Adams I CIC, L.P. Secured by a Promissory Note and Deed of Trust. 526,793

Total Loans Receivable \$ 7,444,454

City of Brawley

Notes to Basic Financial Statements June 30, 2022

5) LOANS RECEIVABLE (continued)

On August 1, 2004, to assist with the construction of 31 apartment assisted living units occupied by low and very low-income households, the City received a loan from the Housing Investment Partnerships (HOME) Program for \$3,400,000, which was provided to Chelsea Investment Corporation (Developer) with a no interest fifty-five (55) year repayment term maturing in 2059. The development is known as Brawley Elks Senior Apartments and is located at 955 Willard Avenue. The principal will be repaid from annual residual receipts as defined in the Note and shall apply to the Development through and including fifty-five (55) years from the date of the recordation regardless of any prepayment of the loan or sale, assignment, transfer or conveyance of the Development, unless otherwise terminated by the City or extended upon mutual agreement. The loan is secured by a Recorded Regulatory Agreement. As of June 30, 2022, the outstanding principal balance is \$3,400,000.

On February 17, 2015, the City approved a fifty-five (55) year development impact fee (DIF) loan deferral for Brawley Pacific Associate (aka AMG & Associates) to secure California Tax Credit Allocation Committee funds to build a 41-unit two story income restricted family apartment complex located on the southeast corner of Malan Street and South 1st Street. On the third (3rd) anniversary year of the project construction loan closing and thereafter the \$238,879 DIF loan shall bear annual simple interest of 3% with a 55-year term and payments made from residual receipts and secured by a Promissory Note and Deed of Trust. As of June 30, 2022, the outstanding principal balance is \$238,879 and the outstanding interest balance is \$17,916.

On March 14, 2019, the City approved a fifty-five (55) year development impact fee (DIF) loan deferral for Brawley Adams I CIC, L.P. (aka Maker) to secure California Tax Credit Allocation Committee funds to build a 60-unit affordable housing apartment complex. Located at 1598 C Street. Upon issuance of certificate of occupancy and thereafter the \$526,793 DIF loan shall bear annual compound interest of 2.91% with a 55-year term and payments made from 20% of residual receipts and secured by a Promissory Note and Deed of Trust. As of June 30, 2022, the outstanding principal balance is \$526,793 and the outstanding interest balance is \$31,105.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

6) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Balance as of June 30, 2021	Additions	Deletions	Balance as of June 30, 2022
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 966,706	\$ -	\$ -	\$ 966,706
Construction in progress	5,177,327	756,057	(2,988,206)	2,945,178
Total nondepreciable capital assets	<u>6,144,033</u>	<u>756,057</u>	<u>(2,988,206)</u>	<u>3,911,884</u>
Depreciable capital assets				
Equipment	10,642,735	463,079	(15,593)	11,090,221
Buildings	14,565,604	-	-	14,565,604
Improvements other than buildings	18,272,190	-	-	18,272,190
Infrastructure	25,730,213	1,451,609	-	27,181,822
Total depreciable capital assets	<u>69,210,742</u>	<u>1,914,688</u>	<u>(15,593)</u>	<u>71,109,837</u>
Less accumulated depreciation				
Equipment	(8,898,977)	(318,659)	15,593	(9,202,043)
Buildings	(6,086,487)	(459,385)	-	(6,545,872)
Improvements other than buildings	(9,718,751)	(680,601)	-	(10,399,352)
Infrastructure	(17,722,939)	(1,253,749)	-	(18,976,688)
Total accumulated depreciation	<u>(42,427,154)</u>	<u>(2,712,394)</u>	<u>15,593</u>	<u>(45,123,955)</u>
Net depreciable capital assets	<u>26,783,588</u>	<u>(797,706)</u>	<u>-</u>	<u>25,985,882</u>
Net capital assets	<u>\$ 32,927,621</u>	<u>\$ (41,649)</u>	<u>\$ (2,988,206)</u>	<u>\$ 29,897,766</u>

Current year deletions for construction in progress include a prior period adjustment of \$1,536,597. See note 15

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

General government	\$ 2,055,270
Public safety	308,307
Culture and leisure	199,574
Community development	3,376
Transportation	7,022
Internal service funds	138,845
Total	<u>\$ 2,712,394</u>

City of Brawley

**Notes to Basic Financial Statements
June 30, 2022**

6) CAPITAL ASSETS (continued)

	<u>Balance as of June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of June 30, 2022</u>
Business-type Activities				
Nondepreciable capital assets				
Land	\$ 37,076	\$ -	\$ -	\$ 37,076
Construction in progress	<u>1,477,596</u>	<u>655,738</u>	<u>(1,432,270)</u>	<u>701,064</u>
Total nondepreciable capital assets	<u>1,514,672</u>	<u>655,738</u>	<u>(1,432,270)</u>	<u>738,140</u>
Depreciable capital assets				
Equipment	3,753,450	89,106	-	3,842,556
Buildings	56,762,536	-	-	56,762,536
Improvements other than buildings	14,718,884	24,500	-	14,743,384
Conveyance systems	<u>35,396,496</u>	<u>1,542,082</u>	<u>-</u>	<u>36,938,578</u>
Total depreciable capital assets	<u>110,631,366</u>	<u>1,655,688</u>	<u>-</u>	<u>112,287,054</u>
Less accumulated depreciation				
Equipment	(2,863,860)	(197,615)	-	(3,061,475)
Buildings	(24,645,612)	(1,353,470)	-	(25,999,082)
Improvements other than buildings	(6,898,861)	(599,549)	-	(7,498,410)
Conveyance systems	<u>(19,966,764)</u>	<u>(821,868)</u>	<u>-</u>	<u>(20,788,632)</u>
Total accumulated depreciation	<u>(54,375,097)</u>	<u>(2,972,502)</u>	<u>-</u>	<u>(57,347,599)</u>
Net depreciable capital assets	<u>56,256,269</u>	<u>(1,316,814)</u>	<u>-</u>	<u>54,939,455</u>
Net capital assets	<u>\$ 57,770,941</u>	<u>\$ (661,076)</u>	<u>\$ (1,432,270)</u>	<u>\$ 55,677,595</u>

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

Water	\$ 1,504,442
Wastewater	1,001,148
Airport	<u>466,912</u>
Total	<u>\$ 2,972,502</u>

City of Brawley

Notes to Basic Financial Statements June 30, 2022

7) LONG-TERM LIABILITIES

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, 2022:

	Balance as of June 30, 2021	Additions	Reductions	Balance as of June 30, 2022	Due Within One Year
Governmental Activities:					
Pension obligation bonds	\$ 13,260,000	\$ -	\$ (685,000)	\$ 12,575,000	\$ 750,000
Debt from direct borrowings and direct payments:					
Financed purchases	139,798	94,655	(52,446)	182,007	62,531
Compensated absences	683,140	726,990	(887,065)	523,065	156,919
Total long-term liabilities	\$ 14,082,938	\$ 821,645	\$ (1,624,511)	\$ 13,280,072	\$ 969,450

Governmental Activities: Pension Obligation Bonds Series 2017

On July 1, 2017, the City of Brawley issued Pension Obligation Bonds totaling \$16,310,000. The proceeds of the issuance were used to refinance the City's outstanding "side fund" obligation to the California Public Employees' Retirement System (CalPERS) with respect to certain of the City's defined benefit pension plans for its public safety employees and miscellaneous employees. The bonds bear interest with rates between 1.75% and 4.12% with a final maturity date of September 1, 2032. The balance outstanding as of June 30, 2022 is \$12,575,000. Debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 750,000	\$ 452,092	\$ 1,202,092
2024	815,000	427,789	1,242,789
2025	885,000	399,587	1,284,587
2026	965,000	368,877	1,333,877
2027	1,035,000	334,652	1,369,652
2028 - 2032	6,600,000	998,837	7,598,837
2033	1,525,000	31,407	1,556,407
	\$ 12,575,000	\$ 3,013,241	\$ 15,588,241

City of Brawley

Notes to Basic Financial Statements June 30, 2022

7) LONG-TERM LIABILITIES (continued)

Governmental Activities (continued)

Governmental Activities: Financed Purchase

Starting in March 2020, the city entered into a vehicle lease agreement with Enterprise Fleet management with the goal of strategically replacing obsolete vehicles utilized by multiple departments over several years. In fiscal year 2019-20, four vehicles were financed ranging from \$26,754 to \$29,566 (three of these vehicles are allocated between governmental and business-type activities). In fiscal year 2020-21 two vehicles were financed for \$43,128 each. In fiscal year 2021-22, four vehicles were financed ranging from \$32,570 to \$39,710 (two of these vehicles are allocated between governmental and business-type activities). Debt service requirements, including interest, as of June 30, 2022, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 62,531	\$ 6,853	\$ 69,384
2024	46,509	6,483	52,992
2025	44,035	8,264	52,299
2026	18,305	3,045	21,350
2027	10,627	2,135	12,762
	<u>\$ 182,007</u>	<u>\$ 26,780</u>	<u>\$ 208,787</u>

City of Brawley

Notes to Basic Financial Statements June 30, 2022

7) LONG-TERM LIABILITIES (continued)

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, 2022:

	Balance as of June 30, 2021	Additions	Reductions	Balance as of June 30, 2022	Due Within One Year
Business-type Activities:					
<i>Water Fund</i>					
Debt from direct borrowings and direct payments:					
Contracts payable #2	\$ 103,188	\$ -	\$ (103,188)	\$ -	\$ -
Deferred gain	1,541	-	(1,541)	-	-
Unamortized discount	(1,541)	-	1,541	-	-
MFC note payable	959,291	-	(264,791)	694,500	272,123
Unamortized premium	2,510	-	(1,024)	1,486	-
Financed purchases	33,715	95,500	(10,892)	118,323	27,909
<i>Wastewater Fund</i>					
Debt from direct borrowings and direct payments:					
Contracts payable	189,446	-	(189,446)	-	-
CSWRCB loan	8,417,967	-	(727,671)	7,690,296	734,948
Financed purchases	12,138	12,586	(3,245)	21,479	5,688
Compensated absences	157,062	91,877	(107,463)	141,476	42,442
Total long-term liabilities	<u>\$ 9,875,317</u>	<u>\$ 199,963</u>	<u>\$ (1,407,720)</u>	<u>\$ 8,667,560</u>	<u>\$ 1,083,110</u>

Water Enterprise Fund: Direct Borrowings and Placements of Debt - Contracts Payables and Defeased Certificates of Participation

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 contract payable has been paid off as of June 30, 2022.

Water Enterprise Fund: Direct Borrowings and Placements of Debt - 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. In the event of a default the full outstanding balance of the note immediately becomes due and payable.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

7) LONG-TERM LIABILITIES (continued)

Business-Type Activities (continued)

The debt service requirements to maturity on the note are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 272,123	\$ 17,241	\$ 289,364
2024	279,658	9,706	289,364
2025	142,719	1,962	144,681
	<u>\$ 694,500</u>	<u>\$ 28,909</u>	<u>\$ 723,409</u>

Wastewater Enterprise Fund: Direct Borrowings and Placements of Debt - 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) and pledged the City's Wastewater Fund as the specific revenue source for the repayment of the contract payable. The purpose is to help finance improvements to the wastewater system. The contract payable has been paid off as of June 30, 2022.

Wastewater Enterprise Fund: Direct Borrowings and Placements of Debt - 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 \$7,690,296 at June 30, 2022. In the event of a default the full outstanding balance of the loan immediately becomes due and payable. Annual debt service requirements for the CSWRCB Loan are shown below:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 734,948	\$ 76,903	\$ 811,851
2024	742,297	69,553	811,850
2025	749,720	62,131	811,851
2026	757,218	54,633	811,851
2027	764,790	47,061	811,851
2028 - 2032	3,941,323	119,046	4,060,369
	<u>\$ 7,690,296</u>	<u>\$ 429,327</u>	<u>\$ 8,119,623</u>

City of Brawley

Notes to Basic Financial Statements June 30, 2022

7) LONG-TERM LIABILITIES (continued)

Business-Type Activities (continued)

Water Enterprise Fund: Financed Purchase

Starting in March 2020, the city entered into a vehicle lease agreement with Enterprise Fleet management with the goal of strategically replacing obsolete vehicles utilized by multiple departments over several years. In fiscal year 2019-20, three vehicles were financed ranging from \$29,171 to \$29,566 (these vehicles are allocated between governmental and business-type activities). In fiscal year 2021-22, four vehicles were financed ranging from \$27,268 to \$34,958 (two of these vehicles are allocated between governmental and business-type activities). Debt service requirements, including interest, as of June 30, 2022, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 27,909	\$ 5,119	\$ 33,028
2024	27,909	5,119	33,028
2025	26,343	4,936	31,279
2026	19,088	3,903	22,991
2027	17,074	3,475	20,549
	<u>\$ 118,323</u>	<u>\$ 22,552</u>	<u>\$ 140,875</u>

Wastewater Enterprise Fund: Financed Purchase

Starting in March 2020, the city entered into a vehicle lease agreement with Enterprise Fleet management with the goal of strategically replacing obsolete vehicles utilized by multiple departments over several years. In fiscal year 2019-20, three vehicles were financed ranging from \$29,171 to \$29,566 (These vehicles are allocated between governmental and business-type activities). In fiscal year 2021-22, two vehicles were financed for \$34,952 and 34,968 (these vehicles are allocated between governmental and business-type activities). Debt service requirements, including interest, as of June 30, 2022, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 5,688	\$ 974	\$ 6,662
2024	5,688	974	6,662
2025	5,125	908	6,033
2026	2,513	536	3,049
2027	2,465	521	2,986
	<u>\$ 21,479</u>	<u>\$ 3,913</u>	<u>\$ 25,392</u>

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.

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 124 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Primary Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$500,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

8) RISK MANAGEMENT (continued)

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses also have a \$50 million per occurrence limit. The coverage structure is composed of a combination of pooled self-insurance, reinsurance, and excess insurance. Additional information concerning the coverage structure is available on the Authority's website: <https://cjpia.org/coverage/risk-sharing-pools/>.

Primary Workers' Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$75,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$75,000 to \$200,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2021-22 the Authority's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased through reinsurance policies, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

Purchased Insurance

Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$250,000 deductible. The Authority has an aggregate limit of \$20 million.

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. City property currently has all-risk property insurance protection in the amount of \$76,322,760. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

8) RISK MANAGEMENT (continued)

Earthquake and Flood Insurance

The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City property currently has earthquake protection in the amount of \$73,982,078. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

Crime Insurance

The City purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2021-22.

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.

Construction Commitments:

Various construction projects were in progress at June 30, 2022. Project costs are funded by various revenue sources and are paid out of the capital projects funds. Management asserts that the remaining commitments on open projects are not significant to the financial statements as of June 30, 2022.

Pending Litigation:

The City is a defendant in certain legal actions arising in the normal course of operations. While substantial damage is alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the City's legal counsel, these actions when finally adjudicated will not have a material adverse effect on the financial position of the City.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

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 1, 2012 the LTA issued \$53,975,000 of sales tax revenue bonds (limited tax bonds) to fund certain transportation projects for the City and other members of the LTA. The amount made available to the City by this issuance was \$7,723,672. The LTA has pledged the City's share of sales tax revenue as security for the amount. The amount received during the 2021-2022 fiscal year was \$1,688,161, which is net of the City's share of debt service required on this bond issue. The City has no other liability for the debt. The balance outstanding at June 30, 2022 is \$4,860,000. Additional financial information on the LTA is available from the Imperial County Transportation Local Transportation Authority.

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 Communication Authority (IVECA). IVECA is considered a joint venture without equity interest. The purpose of IVECA is to consolidate a communications center by equipping, maintaining, operating and staffing a single-site facility to provide emergency communications (call receiving and dispatching) for public safety and emergency services. It is also anticipated that IVECA will provide centralized dispatching services throughout Imperial County at some point in the future. The City's contribution for the 2021-2022 fiscal year was \$141,589.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

11) DEFINED BENEFIT PENSION PLAN

A) General Information about the Pension Plan

Plan Descriptions - All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City participates in four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

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 5 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 Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous Plan		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				
Benefit formula	2% @ 55	2% @ 62	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up	50 - 55 & up	50 - 57 & up
Monthly benefits, as a % of eligible compensation	1.43% to 2.42%	1.0% to 2.5%	3.00%	2.0% to 2.7%
Required employee contribution rates	7.00%	6.75%	9.00%	13.00%
Required employer contribution rates	10.88%	7.59%	23.71%	13.13%

City of Brawley

Notes to Basic Financial Statements June 30, 2022

11) DEFINED BENEFIT PENSION PLAN (continued)

A) General Information about the Pension Plan (continued)

Contributions - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2022 were \$1,614,504. The actual employer payments of \$1,339,349 made to CalPERS by the District during the measurement period ended June 30, 2021 differed from the District's proportionate share of the employer's contributions of \$4,707,738 by \$3,368,389, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B) Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

11) DEFINED BENEFIT PENSION PLAN (continued)

B) Net Pension Liability (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB

Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

⁽¹⁾ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Long-term Expected Rate of Return

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

City of Brawley

Notes to Basic Financial Statements June 30, 2022

11) DEFINED BENEFIT PENSION PLAN (continued)

B) Net Pension Liability (continued)

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 of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

<u>Asset Class</u> ¹	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10</u> ²	<u>Real Return Years 11+</u> ³
Public equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92%)

¹ In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period

³ An expected inflation of 2.92% used for this period

Change of Assumptions

There were no change of assumptions for measurement date June 30, 2021.

11) DEFINED BENEFIT PENSION PLAN (continued)

B) Net Pension Liability (continued)

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

City of Brawley

**Notes to Basic Financial Statements
June 30, 2022**

11) DEFINED BENEFIT PENSION PLAN (continued)

C) Proportionate Share of Net Pension Liability

The following tables shows the Plan's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/ (Asset)
Balance at: 6/30/2020 (VD)	\$ 96,313,044	\$ 86,466,452	\$ 9,846,592
Balance at: 6/30/2021 (MD)	98,450,074	100,679,272	(2,229,198)
Net Changes during 2020-21	<u>\$ 2,137,030</u>	<u>\$ 14,212,820</u>	<u>\$ (12,075,790)</u>

Proportionate Share of Net Pension Liability / (Asset)		
Miscellaneous Plan	Safety Plan	Total
<u>\$ (1,138,432)</u>	<u>\$ (1,090,766)</u>	<u>\$(2,229,198)</u>

The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov.

The City's proportionate share of the net pension liability for the Total Plan as of the June 30, 2020 and 2021 measurement dates was as follows:

Proportion - June 30, 2020	0.09050%
Proportion - June 30, 2021	-0.04122%
Change - Increase (Decrease)	<u>-0.13172%</u>

City of Brawley

Notes to Basic Financial Statements June 30, 2022

11) DEFINED BENEFIT PENSION PLAN (continued)

C) Proportionate Share of Net Pension Liability (continued)

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

The following presents the Local Government's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

Plan's Net Pension Liability/(Asset)	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous	\$ 4,998,044	\$ (1,138,432)	\$ (6,211,369)
Safety	5,905,181	(1,090,766)	(6,837,073)
Total	<u>\$ 10,903,225</u>	<u>\$ (2,229,198)</u>	<u>\$ (13,048,442)</u>

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

City of Brawley

Notes to Basic Financial Statements June 30, 2022

11) DEFINED BENEFIT PENSION PLAN (continued)

C) Proportionate Share of Net Pension Liability (continued)

The EARSL for PERF C for the measurement period ending June 30, 2021 is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

D) Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2020), the City's net pension liability was \$9,846,592. For the measurement period ending June 30, 2021 (the measurement date), the City incurred a pension expense/(income) of \$(11,907,442).

As of June 30, 2022, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 314,019
Changes in assumptions	-	-
Net difference between projected and actual earnings on plan investments	1,643,006	-
Adjustment due to differences in proportions	-	-
Changes in proportion	3,310,979	39,078
Differences between projected and actual contributions	-	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	4,363,271
Pension contributions subsequent to measurement date	1,614,504	-
Total	<u>\$ 6,568,489</u>	<u>\$ 4,716,368</u>

City of Brawley

Notes to Basic Financial Statements June 30, 2022

11) DEFINED BENEFIT PENSION PLAN (continued)

D) Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (continued)

The amounts above are net of outflows and inflows recognized in the 2020-21 measurement period expense. Contributions subsequent to the measurement date of \$1,614,504 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred outflows/ (inflows) of Resources
2022	\$ (621,079)
2023	37,282
2024	368,126
2025	453,288
2026	-
Thereafter	-
Total	<u>\$ 237,617</u>

E) Payable to the Pension Plan

At June 30, 2022, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year then ended.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

12) OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The postemployment benefit plan is a single-employer defined healthcare plan administered by the City. The City provides postretirement health and life insurance benefits, as provided for in various collective bargaining agreements for retirees that meet certain criteria. The City pays a contribution percentage of the employee's premium for benefit coverage for all qualifying employees. These costs are typically liquidated in the General, Water, and Wastewater Funds. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. The plan does not issue a stand-alone report. The City funds the benefits on a pay-as-you-go basis. No assets are accumulated in a trust.

Eligibility

The table below presents a summary of the basic participant information for the active and retired participants covered under the terms of the Plan.

	Valuation Date <u>6/30/2021</u>
Participants eligible for OPEB	
Inactive employees or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>121</u>
Total	<u><u>180</u></u>

Total OPEB Liability

The following tables show the components of the City's annual OPEB cost, the amount paid by the employer as benefits came due, and changes in the OPEB liability for fiscal year June 30, 2022. The City's total OPEB liability of \$4,701,358 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

12) OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Method and Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	1.92%
Inflation	2.50%
Salary Increases	2.80% wage inflation plus seniority, merit, and promotion salary increases based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021.
Investment Rate of Return	N/A; OPEB Plan is unfunded
Mortality Rate	Based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous and Police members.
Healthcare Trend Rate	Based on 2021 Getzen that reflects premium increases from 2021 to 2023 followed by 5.75% decreasing gradually to an ultimate rate of 4.04% by 2075 for non-Medicare and 3.75% for all years for Medicare.

Discount Rate

Under GASB 75, the discount rate used in valuing OPEB liabilities as of the Measurement Date for an unfunded plan is a single rate that reflects a yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For the current 2021 actuarial valuation, the municipal bond index as of the Measurement Date is 1.92%.

City of Brawley

**Notes to Basic Financial Statements
June 30, 2022**

12) OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Change in Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021 (Valuation Date: June 30, 2021)	<u>\$ 6,216,039</u>
Changes recognized for the measurement period:	
Service cost	394,752
Interest	160,111
Differences between expected and actual experience	(1,805,786)
Changes of assumptions	(111,530)
Benefit payments	<u>(152,228)</u>
Net changes	<u>(1,514,681)</u>
Balance at June 30, 2022	<u><u>\$ 4,701,358</u></u>

There is sensitivity of the total OPEB liability due to changes in the discount rate and healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using the discount and trend rate that were 1 percentage point lower or 1 percentage point higher than the current discount and healthcare cost trend rates.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate

	<u>Total OPEB Liability</u>
1% decrease in Discount Rate (0.92%)	\$ 5,507,279
Current Discount Rate (1.92%)	\$ 4,701,358
1% increase in Discount Rate (2.92%)	\$ 4,054,480

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates

	<u>Total OPEB Liability</u>
1% decrease om Healthcare Cost Trend Rates	\$ 3,934,826
Current Healthcare Cost Trend Rates	\$ 4,701,358
1% increase in Healthcare Cost Trend Rates	\$ 5,705,603

City of Brawley

**Notes to Basic Financial Statements
June 30, 2022**

12) OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Change in Total OPEB Liability (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2022, the City recognized OPEB expense of \$400,082. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes between expected and actual experience	\$ 243,554	\$ 1,584,456
Changes of assumptions	521,320	315,496
Contributions to OPEB plan subsequent to the measurement date	91,196	-
Total	<u>\$ 856,070</u>	<u>\$ 1,899,952</u>

\$91,196 reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2023.

Amounts reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2023	\$ (154,781)
2024	(154,781)
2025	(154,781)
2026	(154,781)
2027	(130,607)
Thereafter	(385,347)
	<u>\$ (1,135,078)</u>

City of Brawley

Notes to Basic Financial Statements June 30, 2022

13) NET POSITION CLASSIFICATION

Net position for governmental activities and business-type activities is classified as (1) net investment in capital assets, (2) restricted, or (3) unrestricted. The details of the net position as of June 30, 2022 are presented below

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Investment in Capital Assets:			
Capital assets, net of accumulated depreciation	\$ 29,897,766	\$ 55,677,595	\$ 85,575,361
Less capital related debt balances:			
Private placement financing	<u>(182,007)</u>	<u>(8,526,084)</u>	<u>(8,708,091)</u>
Total Net Investment in Capital Assets	<u>29,715,759</u>	<u>47,151,511</u>	<u>76,867,270</u>
Restricted for:			
Streets and roads	10,222,839	-	10,222,839
Public safety	719,853	-	719,853
Community development	15,715,963	-	15,715,963
CFD improvements and maintenance	1,124,009	-	1,124,009
Library	<u>58,904</u>	<u>-</u>	<u>58,904</u>
Total Restricted	<u>27,841,568</u>	<u>-</u>	<u>27,841,568</u>
Unrestricted	<u>(7,154,155)</u>	<u>31,904,476</u>	<u>24,750,321</u>
Total	<u>\$ 50,403,172</u>	<u>\$ 79,055,987</u>	<u>\$ 129,459,159</u>

City of Brawley

Notes to Basic Financial Statements June 30, 2022

14) SUCCESSOR 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, 2022, consisted of the following:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Tax Allocation Bonds	\$ 3,885,000	\$ -	\$ (195,000)	\$ 3,690,000	\$ 200,000
Unamortized premium	64,412	-	(4,026)	60,386	4,026
Deferred loss on refunding	(101,260)	-	6,329	(94,931)	(6,329)
Totals	<u>\$ 3,848,152</u>	<u>\$ -</u>	<u>\$ (192,697)</u>	<u>\$ 3,655,455</u>	<u>\$ 197,697</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.

City of Brawley

Notes to Basic Financial Statements June 30, 2022

14) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (continued)

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, 2022 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$ 200,000	\$ 104,976	\$ 304,976
2024	205,000	96,875	301,875
2025	215,000	90,491	305,491
2026	220,000	85,731	305,731
2027	225,000	80,584	305,584
2028 - 2032	1,225,000	309,625	1,534,625
2033 - 2037	1,400,000	115,294	1,515,294
Totals	<u>\$ 3,690,000</u>	<u>\$ 883,576</u>	<u>\$ 4,573,576</u>

15) PRIOR PERIOD ADJUSTMENTS

Prior period adjustment in the government-wide statement of activities due to a capitalized Construction in progress not being reduced from the ending balance in the prior fiscal year and an adjustment in the Successor Agency due to prior years interest payable not being properly reversed in subsequent years.

<u>Governmental Activities</u>	
Net position, beginning of year, as previously stated	\$ 34,606,875
Restatement due to correction of error	<u>(1,536,597)</u>
Net position, beginning of year, as restated	<u>\$ 33,070,278</u>
<u>Successor Agency</u>	
Net position, beginning of year, as previously stated	\$ (2,569,101)
Restatement due to correction of error	<u>31,444</u>
Net position, beginning of year, as restated	<u>\$ (2,537,657)</u>

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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property tax	\$ 4,509,800	\$ 4,530,800	\$ 4,854,270	\$ 323,470
Sales and use tax	3,616,000	3,816,000	4,024,975	208,975
Utility users	1,900,000	1,900,000	2,338,204	438,204
Transient lodging	380,000	420,000	481,889	61,889
Franchise	645,000	645,000	604,270	(40,730)
Business license	54,000	54,000	39,764	(14,236)
Licenses and permits	32,700	32,700	32,867	167
Fines and forfeitures	13,700	13,700	15,310	1,610
Charges for services	4,155,131	4,430,131	4,354,538	(75,593)
Use of money and property	30,150	30,150	52,998	22,848
Intergovernmental	312,000	523,274	460,506	(62,768)
Miscellaneous	276,000	1,595,699	332,560	(1,263,139)
Total revenues	15,924,481	17,991,454	17,592,151	(399,303)
EXPENDITURES				
Current:				
General government	2,815,676	4,624,074	2,926,606	1,697,468
Public safety	8,676,124	8,966,168	8,707,394	258,774
Culture and leisure	2,056,812	2,267,502	2,104,271	163,231
Community development	1,596,224	1,701,424	1,404,108	297,316
Public works	-	23,786	27,744	(3,958)
Capital outlay	-	-	39,710	(39,710)
Debt service:				
Principal	685,000	685,000	715,130	(30,130)
Interest	472,720	472,720	476,243	(3,523)
Total expenditures	16,302,556	18,740,674	16,401,206	2,339,468
Excess of revenues over (under) expenditures	(378,075)	(749,220)	1,190,945	1,940,165
OTHER FINANCING SOURCES (USES)				
Financed purchase	-	-	39,710	39,710
Transfers in	2,357,320	2,857,320	404,104	(2,453,216)
Total other financing sources (uses)	2,357,320	2,857,320	443,814	(2,413,506)
Net change in fund balance	1,979,245	2,108,100	1,634,759	(473,341)
Fund Balance, July 1, 2021	3,963,450	3,963,450	3,963,450	-
Fund Balance, June 30, 2022	\$ 5,942,695	\$ 6,071,550	\$ 5,598,209	\$ (473,341)

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, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 12,700	\$ 12,700	\$ 87,878	\$ 75,178
Intergovernmental	-	608,162	28,476	(579,686)
Miscellaneous	-	-	106	106
	<u>12,700</u>	<u>620,862</u>	<u>116,460</u>	<u>(504,402)</u>
Total revenues				
EXPENDITURES				
Current:				
Community development	<u>3,800</u>	<u>81,962</u>	<u>28,719</u>	<u>53,243</u>
Total expenditures	<u>3,800</u>	<u>81,962</u>	<u>28,719</u>	<u>53,243</u>
Net change in fund balance	8,900	538,900	87,741	(451,159)
Fund Balance, July 1, 2021	<u>7,551,319</u>	<u>7,551,319</u>	<u>7,551,319</u>	<u>-</u>
Fund Balance, June 30, 2022	<u>\$ 7,560,219</u>	<u>\$ 8,090,219</u>	<u>\$ 7,639,060</u>	<u>\$ (451,159)</u>

City of Brawley

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
American Rescue Plan Act (ARPA) Special Revenue Fund
For the Fiscal Year Ended June 30, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ (31,520)	\$ (31,520)
Intergovernmental	-	-	660,912	660,912
Miscellaneous	-	-	32,570	32,570
Total revenues	-	-	661,962	661,962
EXPENDITURES				
Current:				
General government	-	3,823,262	347,171	3,476,091
Public safety	-	-	18,007	(18,007)
Capital outlay	-	1,950,794	247,581	1,703,213
Total expenditures	-	5,774,056	612,759	5,161,297
Excess of revenues over (under) expenditures	-	(5,774,056)	49,203	5,823,259
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(500,000)	-	500,000
Total other financing sources (uses)	-	(500,000)	-	500,000
Net change in fund balance	-	(6,274,056)	49,203	6,323,259
Fund Balance, July 1, 2021	-	-	-	-
Fund Balance, June 30, 2022	\$ -	\$ (6,274,056)	\$ 49,203	\$ 6,323,259

City of Brawley

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Highway Relinquishment Special Revenue Fund
For the Fiscal Year Ended June 30, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 70,000	\$ 70,000	\$ (125,047)	\$ (195,047)
Total revenues	70,000	70,000	(125,047)	(195,047)
EXPENDITURES				
Current:				
Public works	40,000	40,000	24,969	15,031
Total expenditures	40,000	40,000	24,969	15,031
Excess of revenues over (under) expenditures	30,000	30,000	(150,016)	(180,016)
Net change in fund balance	30,000	30,000	(150,016)	(180,016)
Fund Balance, July 1, 2021	785,841	785,841	785,841	-
Fund Balance, June 30, 2022	\$ 815,841	\$ 815,841	\$ 635,825	\$ (180,016)

City of Brawley

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Measure D Special Revenue Fund
For the Fiscal Year Ended June 30, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 25,000	\$ 25,000	\$ (99,515)	\$ (124,515)
Intergovernmental	1,107,000	1,400,000	2,002,880	602,880
Total revenues	1,132,000	1,425,000	1,903,365	478,365
EXPENDITURES				
Current:				
Community development	80,000	70,700	-	70,700
Public works	269,731	279,031	282,602	(3,571)
Total expenditures	349,731	349,731	282,602	67,129
Excess of revenues over (under) expenditures	782,269	1,075,269	1,620,763	545,494
OTHER FINANCING SOURCES (USES)				
Transfers out	(117,110)	(125,110)	(314,719)	(189,609)
Total other financing sources (uses)	(117,110)	(125,110)	(314,719)	(189,609)
Net change in fund balance	665,159	950,159	1,306,044	355,885
Fund Balance, July 1, 2021	5,783,091	5,783,091	5,783,091	-
Fund Balance, June 30, 2022	\$ 6,448,250	\$ 6,733,250	\$ 7,089,135	\$ 355,885

City of Brawley

Required Supplementary Information Schedule of the City's Proportionate Share of the Net Pension Liability June 30, 2022

Cost Sharing Defined Benefit Pension Plan

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

Measurement Date	Employer's Proportion of the Collective Net Pension Liability / (Asset) ¹	Employer's Proportionate Share of the Collective Net Pension Liability / (Asset)	Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability / (Asset) as a percentage of the Covered Payroll	Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability / (Asset)
6/30/2014	0.273%	\$ 16,595,334	\$ 7,564,276	219.39%	79.82%
6/30/2015	0.256%	17,598,726	7,550,886	233.07%	77.27%
6/30/2016	0.248%	21,420,429	8,001,162	267.72%	72.69%
6/30/2017	0.242%	24,015,174	7,543,740	318.35%	71.71%
6/30/2018	0.074%	7,107,035	7,360,997	96.55%	73.39%
6/30/2019	0.072%	7,397,749	7,533,772	98.19%	73.37%
6/30/2020	0.091%	9,846,592	7,335,135	134.24%	89.78%
6/30/2021	0.041%	(2,229,198)	6,602,459	-33.76%	102.26%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

¹ Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

City of Brawley

Required Supplementary Information Schedule of Pension Contributions June 30, 2022

Cost Sharing Defined Benefit Pension Plan

Schedule of Pension Contributions - Last 10 Years*

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	\$ 1,783,377	\$ (1,783,377)	\$ -	\$7,550,886	23.62%
6/30/2016	1,806,003	(1,806,003)	-	8,001,162	22.57%
6/30/2017	2,313,745	(2,313,745)	-	7,543,740	30.67%
6/30/2018	925,723	(17,806,372)	(16,880,649)	7,360,997	12.58%
6/30/2019	1,156,606	(1,156,606)	-	7,533,772	15.35%
6/30/2020	1,273,362	(1,273,362)	-	7,335,135	17.36%
6/30/2021	1,339,349	(1,339,349)	-	6,602,459	20.29%
6/30/2022	1,599,504	(1,614,504)	(15,000)	6,897,217	23.19%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Notes to Schedule:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2020 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

City of Brawley

Required Supplementary Information Schedule of Changes in Total OPEB Liability and Related Ratios June 30, 2022

Schedule of Changes in Total OPEB Liability and Related Ratios - Last 10 Years*

Measurement Date (June 30) Fiscal Year ended (June 30)	2021 2022	2020 2021	2019 2020	2018 2019	2017 2018
Total OPEB Liability					
Service cost	\$ 394,752	\$ 326,673	\$ 285,565	\$ 273,166	\$ 299,551
Interest	160,111	174,584	169,334	155,924	130,903
Differences between expected and actual experience	(1,805,786)	553,152	383,528	-	-
Changes of assumptions	(111,530)	(5,805)	161,809	(38,747)	(415,296)
Benefit payments	(152,228)	(167,303)	(115,331)	(94,476)	(89,254)
Net change in total OPEB liability	(1,514,681)	881,301	884,905	295,867	(74,096)
Total OPEB liability - beginning	6,216,039	5,334,738	4,449,833	4,153,966	4,228,062
Total OPEB liability - ending (a)	<u>\$4,701,358</u>	<u>\$6,216,039</u>	<u>\$5,334,738</u>	<u>\$4,449,833</u>	<u>\$4,153,966</u>
Covered-employee payroll	\$6,322,852	\$8,914,601	\$8,732,808	\$7,807,710	\$8,037,184
Total OPEB liability as a percentage of covered-employee payroll	74.36%	69.73%	61.09%	56.99%	51.68%

* Measurement date 6/30/2017 (fiscal year 2018) was the first year of implementation. Additional years will be presented as information becomes available.

Notes to schedule:

Funding Policy: The City funds the benefits on a pay-as-you-go basis. No assets are accumulated in a trust.

Contributions are fixed and not based on a measure of pay, therefore covered-employee payroll is used in the schedule.

Changes in assumptions:

Single Equivalent Discount Rate (SEDR) was reduced from 2.45% as of June 30, 2020 to 1.92% as of June 30, 2021 based on the updated municipal bond index, which caused an increase in the liability.

Payroll growth, mortality, disability, termination, and retirement rates have been updated from CalPERS Experience Study and Review of Actuarial Assumptions published in December 2017 to the most recent study published in November 2021. The net impact of these changes is a decrease in the liability.

Health care trend rates have been updated as follows, which caused an increase in the liability.

- Medical/prescription drug non-Medicare: from an initial rate of 6.40% in FYE 2020 that decreases gradually to an ultimate rate of 4.00% to Getzen 2021 table that reflects actual premium increases from 2021 to 2022 followed by 5.75% in 2022 that decreases gradually to an ultimate rate of 4.04%.
- Medical/prescription drug Medicare: from 3.75% to 4.20% in 2021 followed by 3.75% thereafter.
- PEMHCA minimum trend has been updated from 3.75% to 4.20% in 2021 followed by 3.75% thereafter.

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.

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 fiscal 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 fiscal year, several supplementary appropriations were necessary.

SUPPLEMENTARY INFORMATION

City of Brawley

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Development Impact Fees Capital Projects Fund
For the Fiscal Year Ended June 30, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 1,045,700	\$ 1,520,500	\$ 1,618,165	\$ 97,665
Use of money and property	4,475	10,475	(111,254)	(121,729)
Intergovernmental	-	2,125	2,125	-
Miscellaneous	-	121,430	250,761	129,331
Total revenues	<u>1,050,175</u>	<u>1,654,530</u>	<u>1,759,797</u>	<u>105,267</u>
EXPENDITURES				
Current:				
General government	2,500	2,500	5,775	(3,275)
Public safety	7,500	7,500	-	7,500
Culture and leisure	2,500	2,500	-	2,500
Community development	35,700	35,700	-	35,700
Capital outlay	-	36,320	36,316	4
Total expenditures	<u>48,200</u>	<u>84,520</u>	<u>42,091</u>	<u>42,429</u>
Excess of revenues over (under) expenditures	<u>1,001,975</u>	<u>1,570,010</u>	<u>1,717,706</u>	<u>147,696</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(191,849)</u>	<u>(191,849)</u>	<u>-</u>	<u>191,849</u>
Total other financing sources (uses)	<u>(191,849)</u>	<u>(191,849)</u>	<u>-</u>	<u>191,849</u>
Net change in fund balance	810,126	1,378,161	1,717,706	339,545
Fund Balance, July 1, 2021	<u>6,336,332</u>	<u>6,336,332</u>	<u>6,336,332</u>	<u>-</u>
Fund Balance, June 30, 2022	<u>\$ 7,146,458</u>	<u>\$ 7,714,493</u>	<u>\$ 8,054,038</u>	<u>\$ 339,545</u>

City of Brawley

Description Nonmajor Governmental Funds June 30, 2022

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.

Public Transport Fund – To account for revenue received from the State under Article 8(e) Local, which is restricted for capital expenditures to acquire vehicles and related equipment, bus shelters, benches, communication equipment, and for meeting public transportation needs. Article 3 Local, is for the exclusive use of pedestrians and bicycles, including but not limited to curbs, handicap access ramp projects, sidewalks, pedestrian ways, bike-ways, bike racks, and bicycle storage.

Road Maintenance Fund – To account for revenue derived from the Road Repair and Accountability Act (RMRA) of 2017 (SB1 Bill). Uses are restricted to street improvements and maintenance.

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.

Asset Forfeiture Fund – To account for revenues received by the City as a result of its participation in the Department of Justice Equitable Sharing Program. The use of these funds is restricted to law enforcement operations and investigations, training and education and enhancing public safety facilities.

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).

Business License Fund – To account for the State mandated \$4 business license fee associated with ADA compliance under Assembly Bill 1379 (2017). These revenues are remitted to the State of California.

CDBG - Sr. Citizen Utility Grant – To account for revenue received from a utility assistance grant received for COVID impacted senior citizens. The use of this funds is restricted for the reimbursement of Water Utilities, Internet, Gas and Electricity services to Senior residents.

City of Brawley

Description
Nonmajor Governmental Funds
June 30, 2022

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.

City of Brawley

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	Special Revenue Funds			
	Gas Tax	Public Transport	Road Maintenance	Pedestrian & Bicycle Facilities
ASSETS				
Cash and investments	\$ 62,453	\$ 239,852	\$ 1,409,006	\$ 258,624
Restricted cash and investments with fiscal agent	-	-	-	-
Interest receivable	24	114	-	122
Due from other governments	51,896	61,382	48,189	26,542
Total assets	\$ 114,373	\$ 301,348	\$ 1,457,195	\$ 285,288
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 36,521	\$ -	\$ -	\$ 1,880
Accrued liabilities	10,375	-	-	572
Unearned revenue	331,069	-	-	-
Due to other funds	-	-	-	-
Total liabilities	377,965	-	-	2,452
Deferred inflows of resources:				
Unavailable revenue	-	61,382	-	26,542
Fund balances:				
Restricted for:				
Streets and roads	-	239,966	1,457,195	256,294
Public safety	-	-	-	-
Community development	-	-	-	-
CFD improvements and maintenance	-	-	-	-
Unassigned	(263,592)	-	-	-
Total fund balance (deficit)	(263,592)	239,966	1,457,195	256,294
Total liabilities, deferred inflows of resources, and fund balances	\$ 114,373	\$ 301,348	\$ 1,457,195	\$ 285,288

(continued)

Special Revenue Funds					
Downtown Parking	Law Enforcement	Asset Forfeiture	Assessment Districts	Business License	CDBG - Sr. Citizen Utility Grant
\$ 4,363	\$ 705,076	\$ 17,319	\$ 923,922	\$ 23,050	\$ -
-	-	-	192,901	-	-
2	329	-	437	11	-
-	40,111	-	14,779	-	123,393
<u>\$ 4,365</u>	<u>\$ 745,516</u>	<u>\$ 17,319</u>	<u>\$ 1,132,039</u>	<u>\$ 23,061</u>	<u>\$ 123,393</u>
\$ -	\$ 56,095	\$ 17,373	\$ 7,142	\$ 196	\$ -
-	10,492	-	888	-	-
-	12,644	-	-	-	-
-	-	-	-	-	101,850
-	79,231	17,373	8,030	196	101,850
-	-	-	-	-	123,393
-	-	-	-	-	-
4,365	666,285	-	-	-	-
-	-	-	-	22,865	-
-	-	-	1,124,009	-	-
-	-	(54)	-	-	(101,850)
<u>4,365</u>	<u>666,285</u>	<u>(54)</u>	<u>1,124,009</u>	<u>22,865</u>	<u>(101,850)</u>
<u>\$ 4,365</u>	<u>\$ 745,516</u>	<u>\$ 17,319</u>	<u>\$ 1,132,039</u>	<u>\$ 23,061</u>	<u>\$ 123,393</u>

City of Brawley

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

(concluded)

	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Streets</u>	
ASSETS		
Cash and investments	\$ 532,949	\$ 4,176,614
Restricted cash and investments with fiscal agent	-	192,901
Interest receivable	-	1,039
Due from other governments	45,247	411,539
	<u>45,247</u>	<u>411,539</u>
Total assets	<u>\$ 578,196</u>	<u>\$ 4,782,093</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 33,772	\$ 152,979
Accrued liabilities	-	22,327
Unearned revenue	-	343,713
Due to other funds	-	101,850
	<u>-</u>	<u>101,850</u>
Total liabilities	<u>33,772</u>	<u>620,869</u>
Deferred inflows of resources:		
Unavailable revenue	-	211,317
	<u>-</u>	<u>211,317</u>
Fund balances:		
Restricted for:		
Streets and roads	544,424	2,497,879
Public safety	-	670,650
Community development	-	22,865
CFD improvements and maintenance	-	1,124,009
Unassigned	-	(365,496)
	<u>-</u>	<u>(365,496)</u>
Total fund balance (deficit)	<u>544,424</u>	<u>3,949,907</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 578,196</u>	<u>\$ 4,782,093</u>

City of Brawley

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2022**

	Special Revenue Funds			
	Gas Tax	Public Transport	Road Maintenance	Pedestrian & Bicycle Facilities
REVENUES				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Use of money and property	(13,535)	(3,925)	(4,422)	(3,572)
Intergovernmental	667,354	-	545,286	-
Miscellaneous	549,765	-	-	-
Total revenues	<u>1,203,584</u>	<u>(3,925)</u>	<u>540,864</u>	<u>(3,572)</u>
EXPENDITURES				
Current:				
General government	1,306	-	-	-
Public safety	-	-	-	-
Community development	3,000	768	-	-
Public works	1,175,781	38,351	-	-
Capital outlay	69,921	-	-	-
Debt Service:				
Principal	5,769	-	-	-
Interest	788	-	-	-
Total expenditures	<u>1,256,565</u>	<u>39,119</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(52,981)</u>	<u>(43,044)</u>	<u>540,864</u>	<u>(3,572)</u>
OTHER FINANCING SOURCES (USES)				
Financed purchase	22,375	-	-	-
Transfers in	-	283,010	916,331	-
Transfer out	(937,920)	-	-	(283,010)
Total other financing sources (uses)	<u>(915,545)</u>	<u>283,010</u>	<u>916,331</u>	<u>(283,010)</u>
Net change in fund balances	(968,526)	239,966	1,457,195	(286,582)
Fund balances - beginning of fiscal year	<u>704,934</u>	<u>-</u>	<u>-</u>	<u>542,876</u>
Fund balances (deficit) - end of fiscal year	<u>\$ (263,592)</u>	<u>\$ 239,966</u>	<u>\$ 1,457,195</u>	<u>\$ 256,294</u>

(Continued)

Special Revenue Funds					
Downtown Parking	Law Enforcement	Asset Forfeiture	Assessment Districts	Business License	CDBG - Sr. Citizen Utility Grant
\$ -	\$ -	\$ -	\$ 239,188	\$ -	\$ -
28	-	-	-	3,149	-
(65)	(8,963)	(54)	(9,703)	(323)	-
-	605,676	-	98,924	-	-
-	-	-	-	-	-
(37)	596,713	(54)	328,409	2,826	-
-	-	-	-	-	-
-	174,540	-	-	-	-
-	-	-	49,989	-	21,978
-	-	-	-	315	79,872
-	191,045	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	365,585	-	49,989	315	101,850
(37)	231,128	(54)	278,420	2,511	(101,850)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(223,000)	-	-
-	-	-	(223,000)	-	-
(37)	231,128	(54)	55,420	2,511	(101,850)
4,402	435,157	-	1,068,589	20,354	-
\$ 4,365	\$ 666,285	\$ (54)	\$ 1,124,009	\$ 22,865	\$ (101,850)

City of Brawley

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2022**

	<u>Capital Projects Fund</u>	Total Nonmajor Governmental Funds
	<u>Streets</u>	<u>Funds</u>
REVENUES		
Property tax	\$ -	\$ 239,188
Charges for services	-	3,177
Use of money and property	-	(44,562)
Intergovernmental	892,774	2,810,014
Miscellaneous	-	549,765
	<u>892,774</u>	<u>3,557,582</u>
Total revenues		
	<u>892,774</u>	<u>3,557,582</u>
EXPENDITURES		
Current:		
General government	-	1,306
Public safety	-	174,540
Community development	-	75,735
Public works	-	1,294,319
Capital outlay	734,642	995,608
Debt Service:		
Principal	-	5,769
Interest	-	788
	<u>734,642</u>	<u>2,548,065</u>
Total expenditures		
	<u>734,642</u>	<u>2,548,065</u>
Excess of revenues over (under) expenditures	<u>158,132</u>	<u>1,009,517</u>
OTHER FINANCING SOURCES (USES)		
Financed purchase	-	22,375
Transfers in	314,719	1,514,060
Transfer out	-	(1,443,930)
	<u>314,719</u>	<u>92,505</u>
Total other financing sources (uses)		
	<u>314,719</u>	<u>92,505</u>
Net change in fund balances	472,851	1,102,022
Fund balances - beginning of fiscal year	<u>71,573</u>	<u>2,847,885</u>
Fund balances (deficit) - end of fiscal year	<u>\$ 544,424</u>	<u>\$ 3,949,907</u>

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City of Brawley

**Internal Service Funds
June 30, 2022**

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 units, 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, 2022**

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Total Internal Service Funds</u>
ASSETS			
Current assets:			
Cash and investments	\$ 1,500,140	\$ -	\$ 1,500,140
Interest receivable	708	-	708
Loans receivable	-	4,585	4,585
Total current assets	<u>1,500,848</u>	<u>4,585</u>	<u>1,505,433</u>
Noncurrent assets:			
Capital assets:			
Construction in progress	11,138	-	11,138
Depreciable assets	3,522,519	-	3,522,519
Total capital assets	<u>3,533,657</u>	-	<u>3,533,657</u>
Less accumulated depreciation	<u>(2,292,975)</u>	-	<u>(2,292,975)</u>
Net capital assets	<u>1,240,682</u>	-	<u>1,240,682</u>
Total noncurrent assets	<u>1,240,682</u>	-	<u>1,240,682</u>
Total assets	<u>2,741,530</u>	<u>4,585</u>	<u>2,746,115</u>
LIABILITIES			
Current liabilities:			
Accounts payable	730	1,918	2,648
Accrued liabilities	3,032	-	3,032
Due to other funds	-	475,258	475,258
Total current liabilities	<u>3,762</u>	<u>477,176</u>	<u>480,938</u>
Total liabilities	<u>3,762</u>	<u>477,176</u>	<u>480,938</u>
NET POSITION (Deficit)			
Net investment in capital assets	1,240,682	-	1,240,682
Unrestricted	1,497,086	(472,591)	1,024,495
Total net position	<u>\$ 2,737,768</u>	<u>\$ (472,591)</u>	<u>\$ 2,265,177</u>

City of Brawley

**Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2022**

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Total</u>
Revenues:			
Charges for services	<u>\$ -</u>	<u>\$ 2,270,548</u>	<u>\$ 2,270,548</u>
Expenses:			
Salary and benefits	60,300	-	60,300
Supplies and services	16,308	2,200,403	2,216,711
Depreciation	<u>138,845</u>	<u>-</u>	<u>138,845</u>
Total expenses	<u>215,453</u>	<u>2,200,403</u>	<u>2,415,856</u>
Operating income (loss)	<u>(215,453)</u>	<u>70,145</u>	<u>(145,308)</u>
Non-operating revenue (expenses)			
Use of money and property	<u>(22,453)</u>	<u>-</u>	<u>(22,453)</u>
Total non-operating revenue	<u>(22,453)</u>	<u>-</u>	<u>(22,453)</u>
Net income (loss) before transfers	(237,906)	70,145	(167,761)
Transfers out	<u>(5,405)</u>	<u>-</u>	<u>(5,405)</u>
Change in net position	(243,311)	70,145	(173,166)
Net position (deficit), beginning of fiscal year	<u>2,981,079</u>	<u>(542,736)</u>	<u>2,438,343</u>
Net position (deficit), end of fiscal year	<u>\$ 2,737,768</u>	<u>\$ (472,591)</u>	<u>\$ 2,265,177</u>

City of Brawley

Internal Service Funds Combining Statement of Cash Flows For the Fiscal Year Ended June 30, 2022

	Maintenance	Risk Management	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from users	\$ -	\$ 2,270,548	\$ 2,270,548
Cash payments to suppliers for goods and services	(15,686)	(499,392)	(515,078)
Cash payments for employees and benefit programs	(60,154)	-	(60,154)
Net cash provided (used) by operating activities	<u>(75,840)</u>	<u>1,771,156</u>	<u>1,695,316</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers	(5,405)	-	(5,405)
Loan repayment (issuance)	-	1,361	1,361
Interfund borrowing (repayment)	-	(1,772,517)	(1,772,517)
Net cash used by non-capital financing activities	<u>(5,405)</u>	<u>(1,771,156)</u>	<u>(1,776,561)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Use of money and property	(22,791)	-	(22,791)
Net cash used by investing activities	<u>(22,791)</u>	<u>-</u>	<u>(22,791)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(104,036)	-	(104,036)
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	<u>1,604,176</u>	<u>-</u>	<u>1,604,176</u>
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	<u>\$ 1,500,140</u>	<u>\$ -</u>	<u>\$ 1,500,140</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (215,453)	\$ 70,145	\$ (145,308)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	138,845	-	138,845
Increase (decrease) in prepaids	-	1,699,093	1,699,093
Increase (decrease) in accounts payable and accrued liabilities	768	1,918	2,686
Total adjustments	<u>139,613</u>	<u>1,701,011</u>	<u>1,840,624</u>
Net cash provided (used) by operating activities	<u>\$ (75,840)</u>	<u>\$ 1,771,156</u>	<u>\$ 1,695,316</u>