

**CITY OF BRAWLEY**  
**Brawley, California**

**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2012**

**CITY OF BRAWLEY**  
**Brawley, California**

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**CITY OF BRAWLEY**  
**Brawley, California**

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## FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

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Michael Ash, CPA

Erin Sacco Pineda, CPA

Governing Board  
City of Brawley  
Brawley, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Brawley, California, (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Brawley. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 14 to the financial statements, the California State Legislature enacted legislation that provided dissolution of all redevelopment agencies in the State of California. The City of Brawley has elected to become the Successor Agency for the former Community Redevelopment Agency (CRA) of the City of Brawley. All assets and liabilities of the former CRA have been transferred to the Successor Agency's Fund.

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In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the required supplementary information, such the budgetary comparison information on pages 46 through 47, be presented to supplement the basic financial statements. Such information, although not 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brawley's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is 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 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 financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



San Diego, California  
April 1, 2013

**CITY OF BRAWLEY**  
**STATEMENT OF NET ASSETS**  
June 30, 2012

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 16,478,778	\$ 8,123,745	\$ 24,602,523
Restricted cash and investments with fiscal agents	45,288	786,998	832,286
Accounts receivable	536,299	1,157,484	1,693,783
Interest receivable	453,692	7,702	461,394
Notes receivable	8,422,491		8,422,491
Due from other funds	1,119,832		1,119,832
Due from other governments	1,713,715	3,213,803	4,927,518
Deferred charges		61,634	61,634
Prepaid expenses	819,292		819,292
Capital assets not being depreciated	6,009,585	27,114,052	33,123,637
Capital assets, net of accumulated depreciation	21,717,227	43,267,664	64,984,891
<b>Total assets</b>	<b>57,316,199</b>	<b>83,733,082</b>	<b>141,049,281</b>
<b>LIABILITIES</b>			
Accounts payable	3,881,722	4,957,664	8,839,386
Accrued interest payable		89,937	89,937
Deposits payable	192,675	514,876	707,551
Unearned revenue		555,398	555,398
Due to other funds		1,119,832	1,119,832
Noncurrent liabilities:			
Due within one year	15,210	1,420,817	1,436,027
Due in more than one year	1,344,178	32,063,740	33,407,918
<b>Total liabilities</b>	<b>5,433,785</b>	<b>40,722,264</b>	<b>46,156,049</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	27,640,307	37,893,016	65,533,323
Restricted for:			
Public safety	1,341,886		1,341,886
Community development	4,186,106		4,186,106
Culture and leisure	62,945		62,945
Debt service		598,854	598,854
Capital facilities	3,564,241		3,564,241
Unrestricted	15,086,929	4,518,948	19,605,877
<b>Total net assets</b>	<b>\$ 51,882,414</b>	<b>\$ 43,010,818</b>	<b>\$ 94,893,232</b>

See Notes to Basic Financial Statements

**CITY OF BRAWLEY**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental Activities:</b>				
General government	\$ 6,352,950	\$ 895,432	\$ 155,944	\$ 1,749,322
Public safety	9,052,113	400,976	278,432	409,528
Culture and leisure	2,714,458	204,334	145,042	55,932
Community development	2,897,091	1,647,322	400,594	1,894,220
Streets and highways	2,733,418	383,927	2,441,088	927,322
Interest on long-term debt	241,643			
<b>Total governmental activities</b>	<b>23,991,673</b>	<b>3,531,991</b>	<b>3,421,100</b>	<b>5,036,324</b>
<b>Business-type Activities:</b>				
Water	6,863,595	7,627,475		
Wastewater	4,498,110	4,879,627		1,992,479
Solid Waste	1,267,061	1,161,686		
Airport	431,928	2,762		1,336,141
<b>Total business-type activities</b>	<b>13,060,694</b>	<b>13,671,550</b>		<b>3,328,620</b>
<b>Total primary government</b>	<b>\$ 37,052,367</b>	<b>\$ 17,203,541</b>	<b>\$ 3,421,100</b>	<b>\$ 8,364,944</b>
<b>General Revenues:</b>				
Taxes:				
Utility users taxes				
Transient lodging taxes				
Franchise taxes				
Business license taxes				
Intergovernmental (unrestricted):				
Shared property taxes				
Shared sales and use taxes				
Motor vehicle license fees				
Other				
Use of money and property				
Total general revenues				
Change in net assets before extraordinary item				
Gain on dissolution of the Redevelopment Agency				
Change in net assets				
Net assets - beginning of fiscal year				
Prior period adjustments				
Net assets - beginning of fiscal year, restated				
Net assets - end of fiscal year				

See Notes to Basic Financial Statements



Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,552,252)	\$ -	\$ (3,552,252)
(7,963,177)		(7,963,177)
(2,309,150)		(2,309,150)
1,045,045		1,045,045
1,018,919		1,018,919
(241,643)		(241,643)
<u>(12,002,258)</u>		<u>(12,002,258)</u>
	763,880	763,880
	2,373,996	2,373,996
	(105,375)	(105,375)
	906,975	906,975
	<u>3,939,476</u>	<u>3,939,476</u>
<u>(12,002,258)</u>	<u>3,939,476</u>	<u>(8,062,782)</u>
1,960,058		1,960,058
314,624		314,624
625,002		625,002
39,539		39,539
3,382,989		3,382,989
2,352,185		2,352,185
13,725		13,725
854,745		854,745
450,341	1,064,291	1,514,632
<u>9,993,208</u>	<u>1,064,291</u>	<u>11,057,499</u>
(2,009,050)	5,003,767	2,994,717
<u>4,286,115</u>		<u>4,286,115</u>
<u>2,277,065</u>	<u>5,003,767</u>	<u>7,280,832</u>
49,605,349	38,213,427	87,818,776
	(206,376)	(206,376)
<u>49,605,349</u>	<u>38,007,051</u>	<u>87,612,400</u>
<u>\$ 51,882,414</u>	<u>\$ 43,010,818</u>	<u>\$ 94,893,232</u>

**CITY OF BRAWLEY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2012

	General	Economic & Community Development	CRA Capital Projects
<b>ASSETS</b>			
Cash and investments	\$ 2,234,870	\$ -	\$ -
Restricted cash and investments with fiscal agents		9,691	
Interest receivable	1,692		
Due from other governments	1,390,165		
Due from other funds	1,219,962		
Notes receivable		8,631,919	
<b>Total assets</b>	<b>\$ 4,846,689</b>	<b>\$ 8,641,610</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 545,875	\$ 129,044	\$ -
Deposits payable	192,675		
Deferred revenue	259	8,631,919	
Due to other funds		97,519	
<b>Total liabilities</b>	<b>738,809</b>	<b>8,858,482</b>	
Fund balances:			
Restricted for:			
Streets and roads			
Public safety			
Community development			
Assessment districts			
Library	62,945		
Unassigned	4,044,935	(216,872)	
<b>Total fund balances</b>	<b>4,107,880</b>	<b>(216,872)</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 4,846,689</b>	<b>\$ 8,641,610</b>	<b>\$ -</b>

SB 325	Other Governmental Funds	Total Governmental Funds
\$ 2,869,465	\$ 9,406,155	\$ 14,510,490
	35,597	45,288
2,500	8,012	12,204
	157,412	1,547,577
		1,219,962
		8,631,919
<u>\$ 2,871,965</u>	<u>\$ 9,607,176</u>	<u>\$ 25,967,440</u>

\$ 2,830,768	\$ 314,687	\$ 3,820,374
		192,675
	240,634	8,872,812
	2,611	100,130
<u>2,830,768</u>	<u>557,932</u>	<u>12,985,991</u>

41,197	3,523,044	3,564,241
	1,341,886	1,341,886
	3,686,102	3,686,102
	500,004	500,004
		62,945
	(1,792)	3,826,271
<u>41,197</u>	<u>9,049,244</u>	<u>12,981,449</u>
<u>\$ 2,871,965</u>	<u>\$ 9,607,176</u>	<u>\$ 25,967,440</u>

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**CITY OF BRAWLEY**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
June 30, 2012

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Fund balances of governmental funds	\$ 12,981,449
Amounts reported for governmental activities in the statement of net assets are different because:	
Certain receivables are not available to pay for current period expenditures and, therefore are not reported as governmental fund assets.	536,299
Capital assets net of accumulated depreciation have not been included as financial resources in the governmental funds.	26,793,709
Certain notes receivable and accounts receivable are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds.	8,663,384
Long-term debt and compensated absences have not been included in the governmental funds.	
Long-term debt	(86,505)
Compensated absences	(1,257,407)
Internal service funds are used by management to charge the costs of certain activities, such as maintenance and risk management, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	3,811,692
In governmental funds, certain accrued interest receivable on notes receivable are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds.	<u>439,793</u>
Net assets of governmental activities	<u>\$ 51,882,414</u>

See Notes to Basic Financial Statements

**CITY OF BRAWLEY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	General	Economic & Community Development	CRA Capital Projects
<b>REVENUES</b>			
Taxes:			
Utility users	\$ 1,960,058	\$ -	\$ -
Transient lodging	314,624		
Franchise	625,002		
Business license	39,539		
Property			
Licenses and permits	260,136		
Fines and forfeitures	185,667		
Use of money and property	149,026	200,078	41,612
Intergovernmental	6,603,644	38,180	973,141
Charges for services	3,337,613		
Miscellaneous	677,616		
Total revenues	<u>14,152,925</u>	<u>238,258</u>	<u>1,014,753</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,636,917		
Public safety	8,431,590		
Culture and leisure	2,519,626		
Community development	1,549,704	39,577	729,494
Transportation			
Capital outlay		1,290,450	491,973
Debt service:			
Principal			
Interest and fiscal charges			
Total expenditures	<u>15,137,837</u>	<u>1,330,027</u>	<u>1,221,467</u>
Excess of revenues over (under) expenditures	<u>(984,912)</u>	<u>(1,091,769)</u>	<u>(206,714)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Net change in fund balances before extraordinary items	(984,912)	(1,091,769)	(206,714)
<b>EXTRAORDINARY ITEMS</b>			
Gain (Loss) on Dissolution of the Redevelopment Agency			(38,710)
Net change in fund balances	(984,912)	(1,091,769)	(245,424)
Fund Balances - July 1, 2011	<u>5,092,792</u>	<u>874,897</u>	<u>245,424</u>
Fund Balances (Deficit) - June 30, 2012	<u>\$ 4,107,880</u>	<u>\$ (216,872)</u>	<u>\$</u>

See Notes to Basic Financial Statements

SB 325	Other Governmental Funds	Totals
\$ -	\$ -	\$ 1,960,058
		314,624
		625,002
		39,539
	134,056	134,056
		260,136
		185,667
12,763	34,795	438,274
	3,479,889	11,094,854
	194,378	3,531,991
	54,122	731,738
<u>12,763</u>	<u>3,897,240</u>	<u>19,315,939</u>
		2,636,917
	19,789	8,451,379
		2,519,626
	322,346	2,641,121
	1,586,661	1,586,661
1,054	646,802	2,430,279
	120,000	120,000
	242,706	242,706
<u>1,054</u>	<u>2,938,304</u>	<u>20,628,689</u>
<u>11,709</u>	<u>958,936</u>	<u>(1,312,750)</u>
	143,944	143,944
	(143,944)	(143,944)
11,709	958,936	(1,312,750)
	(941,384)	(980,094)
11,709	17,552	(2,292,844)
29,488	9,031,692	15,274,293
<u>\$ 41,197</u>	<u>\$ 9,049,244</u>	<u>\$ 12,981,449</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, 2012**

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Net change in fund balances - total governmental funds	\$ (2,292,844)
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 outlays exceed depreciation in the current period.	282,483
Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. When the note is collected it is reflected in revenue. This amount is the net change between notes receivable collected and issued.	(182,188)
Interest accrued on certain notes receivable are not reported as revenue on the governmental funds as they do not provide the City with current financial resources. When the interest is collected when the note becomes due, the amounts will be reflect in revenue. This is the amount of additional interest accrued in the current period.	12,067
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net assets.	
Repayment of bond principal	120,000
Repayment of capital lease	14,290
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 fund. This is the net change in compensated absences for the current period.	(848,577)
The amounts below included in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These are the current year changes:	
Interest payable	1,063
Difference in the gain/loss on the dissolution of the redevelopment agency between the government activities \$4,286,115 and the fund financial statements (\$980,094).	5,266,209
Internal service funds are used by management to charge the costs of certain activities, such as maintenance and risk management, to individual funds. The net revenues (expenses) of the internal service funds is reported under governmental activities.	<u>(95,438)</u>
Change in net assets of governmental activities	<u>\$ 2,277,065</u>

See Notes to Basic Financial Statements

**CITY OF BRAWLEY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2012  
with Comparative Statement as of June 30, 2011

	Business-type Activities Enterprise Funds			
	Water		Wastewater	
	Current Year	Prior Year	Current Year	Prior Year
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 2,065,414	\$ 1,410,104	\$ 6,058,331	\$ 2,528,491
Accounts receivable, net	917,050	515,558	70,007	414,810
Interest receivable	2,043	1,438	5,659	3,656
Due from other governments	120,000		1,757,479	3,785,534
Deferred charges	61,634	70,395		
Prepaid expenses				
Total current assets	<u>3,166,141</u>	<u>1,997,495</u>	<u>7,891,476</u>	<u>6,732,491</u>
Noncurrent Assets:				
Restricted cash and investments with fiscal agents	149,500		637,498	637,498
Advances to other funds			1,605,839	1,605,839
Capital assets not being depreciated	115	115	35,011	
Construction in progress	148,323		25,346,501	22,176,092
Capital assets, net of accumulated depreciation	30,470,445	31,736,762	10,893,016	11,306,726
Total noncurrent assets	<u>30,768,383</u>	<u>31,736,877</u>	<u>38,517,865</u>	<u>35,726,155</u>
Total assets	<u>33,934,524</u>	<u>33,734,372</u>	<u>46,409,341</u>	<u>42,458,646</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	416,566	414,740	4,204,390	4,508,667
Interest payable	51,293	80,699	38,644	70,761
Deposits payable	508,646	443,759	2,380	5,930
Deferred revenue	555,398	555,398		
Due to other funds				
Current portion of long term debt	1,087,842	1,184,049	332,975	326,273
Total current liabilities	<u>2,619,745</u>	<u>2,678,645</u>	<u>4,578,389</u>	<u>4,911,631</u>
Noncurrent liabilities:				
Compensated absences	133,733	152,707	75,126	81,245
Claims payable				
Contracts payable, net of deferred gain and unamortized discount	7,630,641	8,411,551	1,540,872	1,690,977
Certificates of participation, net of unamortized discount			620,608	794,385
Revenue bonds payable, net of unamortized premium	2,731,326	2,911,470		
Advances from other funds	1,605,839	1,605,839		
Bonds payable	75,500	92,500	19,255,934	17,254,537
Total noncurrent liabilities	<u>12,177,039</u>	<u>13,174,067</u>	<u>21,492,540</u>	<u>19,821,144</u>
Total liabilities	<u>14,796,784</u>	<u>15,852,712</u>	<u>26,070,929</u>	<u>24,732,775</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	17,637,235	17,531,468	16,767,476	15,659,983
Restricted for debt service			598,854	566,737
Unrestricted	1,500,505	350,192	2,972,082	1,499,151
Total net assets	<u>\$ 19,137,740</u>	<u>\$ 17,881,660</u>	<u>\$ 20,338,412</u>	<u>\$ 17,725,871</u>

Business-type Activities Enterprise Funds					Governmental Activities
Solid Waste		Airport		Current Year	Internal Service Funds
Current Year	Prior Year	Current Year	Prior Year	Totals	
\$ -	\$ -	\$ -	\$ 506,710	\$ 8,123,745	\$ 1,968,288
157,940	245,377	12,487	14,132	1,157,484	
	143		558	7,702	1,695
		1,336,324	246	3,213,803	166,138
				61,634	
					819,292
<u>157,940</u>	<u>245,520</u>	<u>1,348,811</u>	<u>521,646</u>	<u>12,564,368</u>	<u>2,955,413</u>
				786,998	
				1,605,839	
		1,950	1,950	37,076	
		1,582,152		27,076,976	
		<u>1,904,203</u>	<u>2,074,880</u>	<u>43,267,664</u>	<u>933,103</u>
		<u>3,488,305</u>	<u>2,076,830</u>	<u>72,774,553</u>	<u>933,103</u>
<u>157,940</u>	<u>245,520</u>	<u>4,837,116</u>	<u>2,598,476</u>	<u>85,338,921</u>	<u>3,888,516</u>
157,766	139,971	178,942	96,354	4,957,664	54,666
				89,937	
		3,850	1,775	514,876	
				555,398	
		<u>1,119,832</u>		<u>1,119,832</u>	
				<u>1,420,817</u>	
<u>157,766</u>	<u>139,971</u>	<u>1,302,624</u>	<u>98,129</u>	<u>8,658,524</u>	<u>54,666</u>
				208,859	15,476
					6,682
				9,171,513	
				620,608	
				2,731,326	
				1,605,839	
				<u>19,331,434</u>	
				<u>33,669,579</u>	<u>22,158</u>
<u>157,766</u>	<u>139,971</u>	<u>1,302,624</u>	<u>98,129</u>	<u>42,328,103</u>	<u>76,824</u>
		3,488,305	2,076,830	37,893,016	814,071
				598,854	
<u>174</u>	<u>105,549</u>	<u>46,187</u>	<u>423,517</u>	<u>4,518,948</u>	<u>2,997,621</u>
<u>\$ 174</u>	<u>\$ 105,549</u>	<u>\$ 3,534,492</u>	<u>\$ 2,500,347</u>	<u>\$ 43,010,818</u>	<u>\$ 3,811,692</u>

**CITY OF BRAWLEY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2012  
with Comparative Statements for the Fiscal Year Ended June 30, 2011

	Business-Type Activities Enterprise Funds			
	Water		Wastewater	
	Current Year	Prior Year	Current Year	Prior Year
Operating Revenues:				
Charges for services (net of refunds)	\$ 7,507,475	\$ 5,891,025	\$ 4,879,627	\$ 5,178,402
Use of money and property				
Total operating revenues	<u>7,507,475</u>	<u>5,891,025</u>	<u>4,879,627</u>	<u>5,178,402</u>
Operating Expenses:				
Salary and benefits	1,512,965	1,583,200	543,140	495,749
Administration	386,700	358,900	277,600	183,700
Supplies and services	3,214,812	2,941,762	3,139,387	2,809,067
Depreciation	1,303,696	1,297,674	426,144	459,245
Total operating expenses	<u>6,418,173</u>	<u>6,181,536</u>	<u>4,386,271</u>	<u>3,947,761</u>
Operating income (loss)	<u>1,089,302</u>	<u>(290,511)</u>	<u>493,356</u>	<u>1,230,641</u>
Non-Operating Revenues (Expenses):				
Use of money and property	463,595	466,547	238,545	275,329
Amortization of gain (loss) on debt refunding	234,981	255,038	(9,092)	(11,032)
Intergovernmental revenue (expense)	120,000	39,971	1,992,479	
Interest expense and fiscal charges	<u>(445,422)</u>	<u>(507,055)</u>	<u>(102,747)</u>	<u>(128,701)</u>
Total non-operating revenues (expenses)	<u>373,154</u>	<u>254,501</u>	<u>2,119,185</u>	<u>135,596</u>
Changes in net assets	<u>1,462,456</u>	<u>(36,010)</u>	<u>2,612,541</u>	<u>1,366,237</u>
Total Net Assets - beginning	17,881,660	17,917,670	17,725,871	16,359,634
Prior Period Adjustments	<u>(206,376)</u>			
Total Net Assets - beginning, restated	<u>17,675,284</u>	<u>17,917,670</u>	<u>17,725,871</u>	<u>16,359,634</u>
Total Net Assets - ending	<u>\$19,137,740</u>	<u>\$17,881,660</u>	<u>\$20,338,412</u>	<u>\$17,725,871</u>

See Notes to Basic Financial Statements

Business-Type Activities Enterprise Funds				Current Year Totals	Governmental Activities Internal Service Funds
Solid Waste		Airport			
Current Year	Prior Year	Current Year	Prior Year		
\$ 1,161,686	\$ 1,313,147	\$ 2,762	\$ 2,040	\$ 13,551,550	\$ 2,291,672
		126,390	153,903	126,390	538,590
<u>1,161,686</u>	<u>1,313,147</u>	<u>129,152</u>	<u>155,943</u>	<u>13,677,940</u>	<u>2,830,262</u>
				2,056,105	249,380
		21,300	12,000	685,600	
1,267,061	1,275,650	239,951	278,277	7,861,211	2,513,206
		170,677	165,843	1,900,517	169,657
<u>1,267,061</u>	<u>1,275,650</u>	<u>431,928</u>	<u>456,120</u>	<u>12,503,433</u>	<u>2,932,243</u>
<u>(105,375)</u>	<u>37,497</u>	<u>(302,776)</u>	<u>(300,177)</u>	<u>1,174,507</u>	<u>(101,981)</u>
	1,190	780		702,920	5,598
				225,889	
		1,336,141		3,448,620	945
				(548,169)	
	<u>1,190</u>	<u>1,336,921</u>		<u>3,829,260</u>	<u>6,543</u>
<u>(105,375)</u>	<u>38,687</u>	<u>1,034,145</u>	<u>(300,177)</u>	<u>5,003,767</u>	<u>(95,438)</u>
105,549	66,862	2,500,347	2,800,524	38,213,427	3,907,130
				(206,376)	
<u>105,549</u>	<u>66,862</u>	<u>2,500,347</u>	<u>2,800,524</u>	<u>38,007,051</u>	<u>3,907,130</u>
<u>\$ 174</u>	<u>\$ 105,549</u>	<u>\$ 3,534,492</u>	<u>\$ 2,500,347</u>	<u>\$ 43,010,818</u>	<u>\$ 3,811,692</u>

**CITY OF BRAWLEY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For the Fiscal Year Ended June 30, 2012

with Comparative Statements for the Fiscal Year Ended June 30, 2011

	Business-Type Activities Enterprise Funds			
	Water		Wastewater	
	Current Year	Prior Year	Current Year	Prior Year
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers and users	\$ 7,170,870	\$ 6,270,096	\$ 5,220,880	\$ 5,173,704
Cash payments to suppliers for goods and services	(3,599,686)	(3,090,059)	(3,721,264)	423,597
Cash payments for employees and benefit programs	(1,531,939)	(1,570,774)	(549,259)	(491,207)
Net cash provided (used) by operating activities	<u>2,039,245</u>	<u>1,609,263</u>	<u>950,357</u>	<u>5,106,094</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Transfers out				
Intergovernmental revenue (expense)	<u>120,000</u>	<u>39,971</u>		
Net cash provided (used) by non-capital financing activities	<u>120,000</u>	<u>39,971</u>		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Intergovernmental revenue (expense)	(120,000)	185,581	4,020,534	(2,610,966)
Purchase of capital assets	(185,702)		(3,182,837)	(15,023,858)
Loan proceeds			2,001,397	14,843,948
Principal paid on debt	(1,184,050)	(1,178,050)	(326,273)	(312,538)
Interest paid on debt and fiscal charges	(477,173)	(131,477)	(169,880)	(108,209)
Net cash provided (used) by capital and related financing activities	<u>(1,966,925)</u>	<u>(1,123,946)</u>	<u>2,342,941</u>	<u>(3,211,623)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	<u>462,990</u>	<u>467,059</u>	<u>236,542</u>	<u>274,284</u>
Net cash provided by investing activities	<u>462,990</u>	<u>467,059</u>	<u>236,542</u>	<u>274,284</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>655,310</b>	<b>992,347</b>	<b>3,529,840</b>	<b>2,168,755</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR</b>	<u>1,410,104</u>	<u>417,757</u>	<u>2,528,491</u>	<u>359,736</u>
<b>CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR</b>	<u>\$ 2,065,414</u>	<u>\$ 1,410,104</u>	<u>\$ 6,058,331</u>	<u>\$ 2,528,491</u>
Reconciliation to Statement of Net Assets:				
Cash and investments	<u>\$ 2,065,414</u>	<u>\$ 1,410,104</u>	<u>\$ 6,058,331</u>	<u>\$ 2,528,491</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 2,065,414</u>	<u>\$ 1,410,104</u>	<u>\$ 6,058,331</u>	<u>\$ 2,528,491</u>

See Notes to Basic Financial Statements

Business-Type Activities Enterprise Funds				Current Year Totals	Governmental Activities Internal Service Fund
Solid Waste		Airport			
Current Year	Prior Year	Current Year	Prior Year		
\$ 1,249,123 (1,249,266)	\$ 1,221,009 (1,304,685)	\$ 130,797 (176,588)	\$ 141,811 (198,136)	\$13,771,670 (8,746,804) (2,081,198)	\$ 2,830,262 (2,574,065) (245,252)
(143)	(83,676)	(45,791)	(56,325)	2,943,668	10,945
				159,971	
				120,000	
		69 (1,582,158) 1,119,832	(246)	3,900,603 (4,950,697) 3,121,229 (1,510,323) (647,053)	(4,252)
		(462,257)	(246)	(86,241)	(4,252)
143	1,406	1,338	194	701,013	5,853
143	1,406	1,338	194	701,013	5,853
	(82,270)	(506,710)	(56,377)	3,678,440	12,546
-	82,270	506,710	563,087	4,445,305	1,955,742
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 506,710</u>	<u>\$ 8,123,745</u>	<u>\$ 1,968,288</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 506,710</u>	<u>\$ 8,123,745</u>	<u>\$ 1,968,288</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 506,710</u>	<u>\$ 8,123,745</u>	<u>\$ 1,968,288</u>

(Continued)

**CITY OF BRAWLEY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For the Fiscal Year Ended June 30, 2012

with Comparative Statements for the Fiscal Year Ended June 30, 2011

(Continued)

	Business-Type Activities Enterprise Funds			
	Water		Wastewater	
	Current Year	Prior Year	Current Year	Prior Year
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 1,089,302	\$ (290,511)	\$ 493,356	\$ 1,230,641
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,303,696	1,297,674	426,144	459,245
(Increase) decrease in accounts receivable	(401,492)	331,423	344,803	(4,699)
Increase (decrease) in accounts payable and accrued liabilities	1,826	210,603	(304,277)	3,416,365
Increase (decrease) in compensated absences	(18,974)	12,426	(6,119)	4,542
Increase (decrease) in deposits payable	64,887	47,648	(3,550)	
Total adjustments	949,943	1,899,774	457,001	3,875,453
Net cash provided by (used by) operating activities	\$ 2,039,245	\$ 1,609,263	\$ 950,357	\$ 5,106,094

See Notes to Basic Financial Statements



Business-Type Activities Enterprise Funds				Current Year Totals	Governmental Activities Internal Service Fund
Solid Waste		Airport			
Current Year	Prior Year	Current Year	Prior year		
\$ (105,375)	\$ 37,497	\$ (302,776)	\$ (300,177)	\$ 1,174,507	\$ (101,981)
		170,677	165,843	1,900,517	169,657
87,437	(92,138)	1,645	(14,132)	32,393	
17,795	(29,035)	82,588	92,466	(202,068)	(60,859)
				(25,093)	4,128
		2,075	(325)	63,412	
105,232	(121,173)	256,985	243,852	1,769,161	112,926
\$ (143)	\$ (83,676)	\$ (45,791)	\$ (56,325)	\$ 2,943,668	\$ 10,945

**CITY OF BRAWLEY**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUND**  
June 30, 2012

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	<b>Private Purpose Trust Fund</b>
	<b>RDA</b>
	<b>Successor Agency</b>
	<b>-----</b>
<b>ASSETS</b>	
Cash and investments	\$ 788,152
Cash and investments with fiscal agent	374,762
Interest receivable	495
Notes receivable	209,428
	<b>-----</b>
Total Assets	1,372,837
	<b>-----</b>
<b>LIABILITIES</b>	
Accounts payable	183,315
Interest payable	60,637
Long-term debt, due in more than one year	5,415,000
	<b>-----</b>
Total Liabilities	5,658,952
	<b>-----</b>
<b>NET ASSETS</b>	
Restricted for Debt Service	
Unrestricted	(4,286,115)
	<b>-----</b>
Total Net Assets	\$ (4,286,115)
	<b>-----</b>

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



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Brawley (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) 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.

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 May, 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.

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.

**Community Redevelopment Agency of the City of Brawley** – The Brawley Community Redevelopment Agency was established on April 5, 1976, pursuant to the State of California Health and Safety Code, Section 33000. The primary purpose of the Agency is to encourage private redevelopment of property and to rehabilitate areas suffering from economic disuse. The members of the City Council act as the governing body of the Agency and therefore, the Agency is reported as if it were part of the primary government. The activities of the Brawley Community Redevelopment Agency were transferred to the Redevelopment Agency’s Successor Agency on February 1, 2012. See Note 14 for more information.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation**

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

**Government-wide Financial Statements**

The Statement of Net Assets 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. For the most part, 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 Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, 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 Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

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

**C. Major Funds**

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Major Funds (Continued)**

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

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

**General Fund**

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

**Economic and Community Development Fund**

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

**Community Redevelopment Agency Capital Projects Fund**

This fund accounts for resources used to encourage private redevelopment of property and to rehabilitate areas suffering from economic disuse. The activities of this fund were transferred to the Redevelopment Agency's Successor Agency on February 1, 2012. See Note 14 for more information.

**SB 325 Special Revenue Fund**

To account 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.

The City reported the following major proprietary funds:

**Water Fund**

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

**Wastewater Fund**

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

**Solid Waste Fund**

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

**Airport Fund**

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

The City reported the following internal service funds:

**Internal Service Funds**

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

**D. Basis of Accounting**

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

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

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

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

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

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

E. Cash and Cash Equivalents

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

F. Cash and Investments

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

Investments are stated at fair value. Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool and restricted, non-pooled investments with initial maturities of three months or less.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

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

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

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

H. Interfund Transactions

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

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

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

I. Property Tax

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

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

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

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

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

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

J. Inventory

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



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Restricted Assets

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

L. Capital Assets

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

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

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

M. Compensated Absences

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

N. Self-insurance

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Assets and Fund Equity

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

*Invested in capital assets, net of related debt* describes the portion of net assets 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 net assets 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, redevelopment funds restricted for low-and-moderate income purposes, and gas tax funds for street construction.

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change

Q. Use of Estimates

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

R. Fiscal Year

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

S. Use of Restricted Resources

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

T. Comparative Data

Comparative data for the prior fiscal year has been presented in certain statements of the accompanying financial statements, in order to provide an understanding of changes in the City's financial position, operations, and cash flows.

U. New Accounting Pronouncements

The City has implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 64 during the fiscal year ended June 30, 2012.

Governmental Accounting Standards Board Statement No. 64

For the fiscal year ended June 30, 2012, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions." This statement is effective for periods beginning after June 15, 2011. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of the GASB Statement No. 64, did not have an impact on the City's financial statements for the fiscal year ended June 30, 2012.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

V. Fund Balance

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

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgets and Budgetary Accounting

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

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

B. Deficit Fund Balances

At June 30, 2012, the following funds had an accumulated deficit:

Fund	Amount
<u>Major Fund:</u>	
Economic and Community Development Fund	\$ 216,872
<u>Nonmajor Funds:</u>	
Downtown Parking Fund	1,733
Park Projects Fund	59

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

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

CITY OF BRAWLEY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

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

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2012, the following funds had excess of expenditures over appropriations:

Fund	Final Appropriation	Expenditures	Excess
<u>Major Fund:</u>			
General Fund	\$ 13,944,007	\$ 15,137,837	\$ 1,193,830
Economic and Community Development Fund	700,000	1,330,027	630,027

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Primary Government:

Statement of net assets:

Cash and investments	\$ 24,602,523
Restricted cash and investments with fiscal agent	832,286

Fiduciary Fund:

Cash and investments	788,152
Cash and investments with fiscal agent	374,762

Total cash and investments, Statement of Net Assets	\$ 26,597,723
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Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 2,875
Deposits with financial institutions	129,859
Investments	26,464,989
Total cash and investments	\$ 26,597,723

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Government Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	10%	None
U.S. Government Agency Issues	5 years	10%	None
Banker's Acceptances	270 days	40%	30%
Commercial Paper, Prime Quality	180 days	40%	10%
Time Certificates of Deposit	3 years	25%	None
Negotiable Certificates of Deposit	3 years	30%	None
Repurchase and Reverse Repurchase Agreements	1 year	20%	None
Medium-Term Notes	5 years	30%	15%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (State Pool)	N/A	None	\$ 50 Million

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

**B. Investments Authorized by Debt Agreements**

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

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
Negotiable Certificates of Deposit	None	None	None
Investment Agreements	None	None	None
Repurchase Agreements	30 days	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (State Pool)	N/A	None	None

**C. Disclosures Relating to Interest Rate Risk**

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

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

Investment Type	Totals	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
State Investment Pool (LAIF)	\$ 25,257,941	\$ 25,257,941	\$ -	\$ -	\$ -
Held by Bond Trustees:					
Money Market Funds	1,207,048	1,207,048			
	\$ 26,464,989	\$ 26,464,989	\$ -	\$ -	\$ -

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

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

CITY OF BRAWLEY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2012

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

E. Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>			
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
State Investment Pool	\$ 25,257,941	N/A	\$ -	\$ -	\$ -	\$ -	\$ 25,257,941
Held by Bond Trustee: Money Market Funds	1,207,048			1,207,048			
<b>Total</b>	<b>\$ 26,464,989</b>		<b>\$ -</b>	<b>\$ 1,207,048</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,257,941</b>

F. Concentration of Credit Risk

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

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

As of June 30, 2012, 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. 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 balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

A. Long-Term Advances

Advances to/from other funds are non-current interfund loans and are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriations and are not expendable available financial resources.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise Fund: Wastewater Fund	Enterprise Fund: Water Fund	\$ 1,605,839

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, 2012.

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Governmental Fund:		Major Enterprise Fund:	
General Fund	\$ 1,219,962	Airport Fund	\$ 1,119,832
Total	<u>\$ 1,219,962</u>	Major Governmental Fund:	
		Economic and Community Development Fund	97,519
		Nonmajor Governmental Fund:	
		Downtown Parking Fund	<u>2,611</u>
		Total	<u>\$ 1,219,962</u>

C. Interfund Transfers

Transfers are indicative of 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, 2012:

<u>Fund</u>	<u>Transfers-in</u>	<u>Transfers-out</u>
Nonmajor Governmental Funds:		
Park Projects Fund	\$ 143,944	\$ -
Development Impact Fund		143,944
Totals	<u>\$ 143,944</u>	<u>\$ 143,944</u>

**NOTE 5 – LOANS RECEIVABLE**

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

**Economic & Community Development Special Revenue Fund**

CDBG loan to Valley Lube & Wash, receivable in installments of \$1,109.53 per month including interest at 6%. Secured by deed of trust.	\$ 97,972
CDBG loan to IV Home Health Care receivable in installments of \$2,796.45 per month including interest at 4.5%. Due 5 years from date of execution. Secured by deed of trust.	30,080
Note to Brawley Beef, LLC receivable in the amount of \$200,000. First payment on the note is due 3/13/2010 in amount of 20% of principal and accrued interest at 1% per annum. Payments will be forgiven as long as Brawley Beef, LLC follows certain employment covenants.	200,000
Loan to Luis Rodriguez, individually and DBA Moyle Electric receivable in installments of \$368.33 per month including interest at 4%. Secured by deed of trust.	2,544
Loan to Merry Haynes & Sheila Riley, DBA The Rock Coffee Shop and Café receivable in installments of \$1,822.18 per month including interest at 4.75%. Secured by deed of trust.	68,836
HOME Investment Partnerships Program Loan to BESA, L.P., C/O Chelsea Investment Corporation. Annual payments are in the amount equal to 50% of the residual receipts from the apartment complex. Payments are due 90 days following the end of the calendar year with respect to the preceding year.	3,400,000
Loan to Edward and Martha Singh receivable in the installment of \$756.45 per month including interest at 6.5%. Secured by deed of trust.	42,409
Deferred notes receivable. No installment payments of principal or interest are required until the loans reach their maturity or underlying property is sold. Secured by deeds of trust.	<u>4,580,650</u>
	<u><u>\$ 8,422,491</u></u>

**Successor Agency to the Community Redevelopment Agency**

Loan to Larry Allen receivable in installments of \$2,703.81 per month including interest at 6%. Secured by deed of trust.	<u>\$ 209,428</u>
	<u><u>\$ 209,428</u></u>



**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance as of July 1, 2011	Additions	Deletions	Transfers	Balance as of June 30, 2012
<b>Governmental Activities</b>					
Nondepreciable capital assets					
Land	\$ 823,293	\$ 143,413	\$ -	\$ -	\$ 966,706
Construction in progress	2,667,700	2,375,179			5,042,879
Total nondepreciable capital assets	3,490,993	2,518,592			6,009,585
Depreciable capital assets					
Equipment	8,091,744	116,009			8,207,753
Buildings	6,988,655				6,988,655
Improvements other than buildings	10,821,414	145,041			10,966,455
Infrastructure	15,060,833				15,060,833
Total depreciable capital assets	40,962,646	261,050			41,223,696
Less accumulated depreciation					
Equipment	(5,564,186)	(547,743)			(6,111,929)
Buildings	(2,516,232)	(185,816)			(2,702,048)
Improvements other than buildings	(2,154,410)	(679,051)			(2,833,461)
Infrastructure	(6,604,825)	(1,254,206)			(7,859,031)
Total accumulated depreciation	(16,839,653)	(2,666,816)			(19,506,469)
Net depreciable capital assets	24,122,993	(2,405,766)			21,717,227
Net capital assets	\$ 27,613,986	\$ 112,826	\$ -	\$ -	\$ 27,726,812

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

General government	\$ 454,233
Public safety	600,734
Streets and public works	1,146,757
Parks and recreation	209,122
Community development	255,970
Total	\$ 2,666,816

	Balance as of July 1, 2011	Additions	Deletions	Balance as of June 30, 2012
<b>Business-type Activities</b>				
Nondepreciable capital assets				
Land	\$ 2,065	\$ 35,011	\$ -	\$ 37,076
Construction in progress	22,176,092	4,900,884		27,076,976
Total nondepreciable capital assets	22,178,157	4,935,895		27,114,052
Depreciable capital assets				
Equipment	2,496,822	24,028		2,520,850
Buildings	30,959,413			30,959,413
Improvements other than buildings	4,598,096	25,785		4,623,881
Conveyance systems	34,714,528			34,714,528
Total depreciable capital assets	72,768,859	49,813		72,818,672
Less accumulated depreciation				
Equipment	(1,659,748)	(81,065)		(1,740,813)
Buildings	(11,193,330)	(909,131)		(12,102,461)
Improvements other than buildings	(2,296,582)	(190,884)		(2,487,466)
Conveyance systems	(12,500,831)	(719,437)		(13,220,268)
Total accumulated depreciation	(27,650,491)	(1,900,517)		(29,551,008)
Net depreciable capital assets	45,118,368	(1,850,704)		43,267,664
Net capital assets	\$ 67,296,525	\$ 3,085,191	\$ -	\$ 70,381,716

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

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

Water	\$ 1,303,696
Wastewater	426,144
Airport	170,677
Total Depreciation Expense - Business-type Activities	<u>\$ 1,900,517</u>

**NOTE 7 –LONG-TERM DEBT**

*Governmental Activities*

The following is a summary of long-term debt activity of the City’s governmental activities for the fiscal year ended June 30, 2012:

	Balance as of July 1, 2011	Additions	Reductions	Transfers per Dissolution of RDA	Balance as of June 30, 2012	Due Within One Year
<b>Governmental Activities:</b>						
Tax allocation bonds 2006	\$ 5,535,000	\$ -	\$ (120,000)	\$ (5,415,000)	\$ -	\$ 125,000
Capital lease	100,795		(14,290)		86,505	15,210
Claims payable	6,682				6,682	
Compensated absences	420,178	852,705			1,272,883	
Total long-term liabilities	<u>\$ 6,062,655</u>	<u>\$ 852,705</u>	<u>\$ (134,290)</u>	<u>\$ (5,415,000)</u>	<u>\$ 1,366,070</u>	<u>\$ 140,210</u>

Capital Lease

The City has entered into a lease agreement as lessee for financing the acquisition of a park facility lighting system having a purchase price of \$149,731. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, including interest are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 15,210	\$ 5,575	\$ 20,785
2014	16,190	4,594	20,784
2015	17,110	3,675	20,785
2016	18,220	2,274	20,494
2017	19,775	1,301	21,076
Total	<u>\$ 86,505</u>	<u>\$ 17,419</u>	<u>\$ 103,924</u>

CITY OF BRAWLEY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 7 –LONG-TERM DEBT (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, 2012:

	Balance as of July 1, 2011	Additions	Reductions	Balance as of June 30, 2012	Due Within One Year
<b>Business-type Activities:</b>					
Contracts payable	\$ 11,915,930	\$ -	\$ (1,143,822)	\$ 10,772,108	\$ 1,147,655
Deferred gain	1,337,600		(234,981)	1,102,619	214,292
Unamortized discount	(2,007,183)		347,356	(1,659,827)	(318,560)
Certificates of participation	1,000,000		(180,000)	820,000	190,000
Unamortized discount	(25,614)		9,092	(16,522)	(7,130)
Revenue bonds payable	3,060,000		(170,000)	2,890,000	175,000
Unamortized premium	21,470		(2,584)	18,886	2,560
Deferred charges	(70,395)		8,761	(61,634)	(8,393)
Bonds payable	109,000		(16,500)	92,500	17,000
CSWRCB Loan	17,254,539	2,001,395		19,255,934	
Compensated absences	233,952		(25,093)	208,859	
Total long-term liabilities	<u>\$ 32,829,299</u>	<u>\$ 2,001,395</u>	<u>\$ (1,407,771)</u>	<u>\$ 33,422,923</u>	<u>\$ 1,412,424</u>

*Water Enterprise Fund: Contracts Payable and Defeased Certificates of Participation*

On May 5, 1998, the Brawley Public Improvement Corporation sold Certificates of Participation in the amount of \$17,755,000 with an average interest rate of 4.88% to advance refund \$17,755,000 of then outstanding 1996 Certificates of Participation with an average interest rate of 6.27%. As a result, the 1996 Certificates are considered to be defeased and the liability for those certificates has been removed from the Water Enterprise Fund. The balance of the 1996 refunded certificates outstanding as of June 30, 2012 is \$13,660,000.

On July 2, 2001, the City borrowed \$15,823,475 from the California Department of Water Resources (DOWR), at an interest rate of 0 %, to advance refund \$16,050,000 of outstanding 1998 Certificates of Participation with an average interest rate of 4.88 %. The proceeds were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 Certificates of Participation. As a result, the 1998 Certificates are considered to be defeased and the liability for those certificates has been removed from the Water Enterprise Fund. The balance of 1998 refunded certificates outstanding as of June 30, 2012 is \$11,960,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,119,886. This difference, to be reported in the financial statements as a deduction from contracts payable, is being charged to operations through the fiscal year ending June 30, 2021 using the effective interest method. The balance payable as of June 30, 2012, including deferred gain of \$834,521, and net of unamortized discount of \$1,391,729 is \$6,563,355. Debt service requirements to maturity on the contract, which includes imputed interest, are as follows:

Fiscal Year Ending June 30,	Principal	Imputed Interest	Total
2013	\$ 522,746	\$ 268,428	\$ 791,174
2014	548,104	243,069	791,173
2015	574,694	216,480	791,174
2016	602,572	188,602	791,174
2017	631,803	159,370	791,173
2018-2021	2,848,935	315,760	3,164,695
	<u>\$ 5,728,854</u>	<u>\$ 1,391,709</u>	<u>\$ 7,120,563</u>

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

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

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

There is no difference between the reacquisition price and the carrying amount of the old debt. The balance payable as June 30, 2012, including deferred gain of \$268,098, and net of unamortized discount of \$268,098 is \$1,960,568. Debt service requirements to maturity which includes imputed interest, are as follows:

Fiscal Year Ending June 30,	Principal	Imputed Interest	Total
2013	\$ 156,244	\$ 50,132	\$ 206,376
2014	161,016	45,360	206,376
2015	165,935	40,441	206,376
2016	171,003	35,373	206,376
2017	176,226	30,150	206,376
2018-2022	862,046	66,642	928,688
	<u>\$ 1,692,470</u>	<u>\$ 268,098</u>	<u>\$ 1,960,568</u>

*Water Enterprise Fund: Revenue Bonds 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 balance payable as of June 30, 2012, including unamortized premium of \$18,886 is \$2,908,886. The balance of unamortized costs of issuance is \$61,634. Debt service requirements to maturity on the revenue bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 175,000	\$ 124,499	\$ 299,499
2014	180,000	118,418	298,418
2015	185,000	111,892	296,892
2016	195,000	104,859	299,859
2017	200,000	97,352	297,352
2018-2022	1,135,000	347,707	1,482,707
2023-2025	820,000	62,750	882,750
	<u>\$ 2,890,000</u>	<u>\$ 967,477</u>	<u>\$ 3,857,477</u>

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

*Water Enterprise Fund: Water District Bonds Payable*

On June 1, 1977, the Brawley County Water District issued Bonds totalling \$368,000. Subsequently, the Brawley County Water District was annexed by the City at which time these outstanding bonds became a reportable obligation of the City. All funds to pay the outstanding bonds continue to be collected and paid by the County of Imperial. The bonds bear interest at a rate of 5% with a final maturity date of June 1, 2017. The balance as of June 30, 2012 is \$92,500. Debt service requirements to maturity on the Water District Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 17,000	\$ 4,625	\$ 21,625
2014	18,100	3,775	21,875
2015	18,100	2,870	20,970
2016	19,100	1,965	21,065
2017	20,200	1,010	21,210
	<u>\$ 92,500</u>	<u>\$ 14,245</u>	<u>\$ 106,745</u>

*Wastewater Enterprise Fund: Contracts Payable*

As of June 30, 2011, the City has received advances totalling \$2,759,775 from the California Infrastructure and Economic Development Bank (CIEDB). The purpose is to help finance improvements to the wastewater system. The balance payable as of June 30, 2012 is \$1,690,977. Debt service requirements to maturity on the contract are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 150,105	\$ 42,337	\$ 192,442
2014	154,038	38,353	192,391
2015	158,074	34,265	192,339
2016	162,215	30,069	192,284
2017	166,465	25,763	192,228
2018-2022	900,080	60,173	960,253
	<u>\$ 1,690,977</u>	<u>\$ 230,960</u>	<u>\$ 1,921,937</u>

*Wastewater Enterprise Fund: Certificates of Participation*

On December 11, 1997, the City of Brawley Public Improvement Corporation sold Certificates of Participation in the amount of \$2,845,000 with an average interest rate of 4.62% to refund on a current basis \$2,520,000 of outstanding 1987 Certificates of Participation with an average interest rate of 7.00%. The Certificates are payable solely from lease payments pursuant to a lease agreement between the City and the Public Improvement Corporation. The City is required under the lease agreement to make lease payments as rental for use and possession of the wastewater treatment facility which are equal to the debt service requirements of the Certificates. The balance payable as of June 30, 2012, net of unamortized discount of \$16,522 is \$803,478. Debt service requirements to maturity on the certificates of participation are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 190,000	\$ 41,000	\$ 231,000
2014	200,000	31,500	231,500
2015	210,000	21,500	231,500
2016	220,000	11,000	231,000
	<u>\$ 820,000</u>	<u>\$ 105,000</u>	<u>\$ 925,000</u>

**NOTE 8 – RISK MANAGEMENT**

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

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

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

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

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

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

**NOTE 10 – NON-COMMITMENT DEBT**

The City issued \$5,200,000 of multifamily housing revenue bonds through the California Statewide Communities Development Authority (CSCDA) to assist a developer in the construction of an apartment complex for senior citizens, including those of low income. The bonds are secured by the property financed and are payable solely from income generated by the property. The City is not obligated in any manner for repayment of the bonds and accordingly, the bonds are not recorded as liabilities in the accompanying financial statements. As of June 30, 2012, the amounts of bonds outstanding totaled \$5,200,000.

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

**NOTE 11 – 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.

**NOTE 11 – JOINT VENTURES (CONTINUED)**

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

Additional financial information on the LTA is available from the Imperial County Public Works Department.

Imperial Valley Emergency Communications Authority:

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

**NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS AND PLANS**

**A. Plan Description**

The City's defined benefit pension plan, the California Public Employees' Retirement System, provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The California Public Employees' Retirement System is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

**B. Funding Policy**

The City pays 7% (9% for safety employees) of annual covered salary for active plan members in the City's defined pension plan. The City makes the contributions required of the City employees on their behalf and for their account. The City is required to contribute at an actuarially determined combined rate of 13.309% for miscellaneous employees and 32.181% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS. The City's contributions to CalPERS for the miscellaneous plan for the fiscal years ending June 30, 2012, 2011, and 2010 were \$754,826, 603,260, and \$531,864 respectively, and equal to 100% of the required contributions for each fiscal year. The City's contributions to CalPERS for the safety plan for the fiscal years ending June 30, 2012, 2011, and 2010 were \$1,002,678, \$936,152, and \$711,746 respectively and equal to 100% of the required contributions for each fiscal year.

**NOTE 13 – MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS**

In preparing the accompanying financial statement, City management has reviewed all known events that have occurred after June 30, 2012, and through March 21, 2013, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.

**NOTE 14 – SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY**

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

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

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

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

The Bill directs that State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the state Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss(gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.



**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 14 – SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)**

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary (gain)/loss reported in governmental fund – (decrease)/increase to net assets of the Successor Agency Trust Funds	\$980,094
Accrued bond interest reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Funds	(60,637)
Loans receivable reported in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	209,428
Long-term debt reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Funds	<u>(5,415,000)</u>
Net decrease to net assets of the Successor Agency Trust Funds as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u><u>\$(4,286,115)</u></u>

A. Long-term debt of the Successor Agency as of June 30, 2012, consisted of the following:

	Balance July 1, 2011	Transfer From RDA	Additions	Deletions	Balance June 30, 2012	Due within one year
Tax Allocation Bonds	\$ -	\$ 5,415,000	\$ -	\$ -	\$ 5,415,000	\$ 125,000
Totals	<u>\$ -</u>	<u>\$ 5,415,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,415,000</u>	<u>\$ 125,000</u>

2006 Tax Allocation 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. The balance payable at June 30, 2012 is \$5,415,000.

The scheduled annual minimum debt service requirements at June 30, 2012 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2013	\$ 125,000	\$ 244,280	\$ 369,280
2014	130,000	239,530	369,530
2015	135,000	234,527	369,527
2016	140,000	229,162	369,162
2017	145,000	223,390	368,390
2018-2022	825,000	1,019,075	1,844,075
2023-2027	1,025,000	816,715	1,841,715
2028-2032	1,280,000	554,760	1,834,760
2033-2037	1,610,000	209,500	1,819,500
Totals	<u>\$ 5,415,000</u>	<u>\$ 3,770,939</u>	<u>\$ 9,185,939</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, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Utility users	\$ 1,848,000	\$ 1,848,000	\$ 1,960,058	\$ 112,058
Transient lodging	240,000	240,000	314,624	74,624
Franchise	450,000	450,000	625,002	175,002
Business license	45,000	45,000	39,539	(5,461)
Licenses and permits	89,500	89,500	260,136	170,636
Fines and forfeitures	98,000	98,000	185,667	87,667
Use of money and property	20,000	20,000	149,026	129,026
Intergovernmental	6,383,950	6,383,950	6,603,644	219,694
Charges for services	3,533,716	3,533,716	3,337,613	(196,103)
Miscellaneous	91,000	91,000	677,616	586,616
Total revenues	12,799,166	12,799,166	14,152,925	1,353,759
<b>EXPENDITURES</b>				
Current:				
General government	1,943,282	1,956,132	2,636,917	(680,785)
Public safety	7,978,756	7,978,256	8,431,590	(453,334)
Culture and leisure	2,406,808	2,406,808	2,519,626	(112,818)
Community development	1,602,811	1,602,811	1,549,704	53,107
Total expenditures	13,931,657	13,944,007	15,137,837	(1,193,830)
Net change in fund balance	(1,132,491)	(1,144,841)	(984,912)	159,929
Fund Balance - July 1, 2011	5,092,792	5,092,792	5,092,792	
Fund Balance - June 30, 2012	\$ 3,960,301	\$ 3,947,951	\$ 4,107,880	\$ 159,929

**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, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 281,000	\$ 281,000	\$ 200,078	\$ (80,922)
Intergovernmental			38,180	38,180
Total revenues	281,000	281,000	238,258	(42,742)
<b>EXPENDITURES</b>				
Current:				
Community development			39,577	(39,577)
Capital outlay	700,000	700,000	1,290,450	(590,450)
Total expenditures	700,000	700,000	1,330,027	(630,027)
Net change in fund balance	(419,000)	(419,000)	(1,091,769)	(672,769)
Fund Balance - July 1, 2011	874,897	874,897	874,897	
Fund Balance - June 30, 2012	\$ 455,897	\$ 455,897	\$ (216,872)	\$ (672,769)

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**OTHER SUPPLEMENTARY INFORMATION**

### SPECIAL REVENUE FUNDS

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

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

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

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

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

**Dial –a- Ride Fund** – To account for revenues received from the State under Article 8(c) of the Transportation Development Act (Section 99400(c) of the Public Utilities Code), and for fares collected from users. Uses are to provide mass transit services to the general public.

**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.

**CRA Housing Fund** – To account for the 20 percent tax revenue received by the Community Development Agency that is restricted for improving the City’s supply of housing for persons and families of low or moderate income.

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

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

### CAPITAL PROJECTS FUNDS

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

**Parks Projects Fund** – To account for Parkland dedication fees prescribed by the Quimby Act and other revenues designated for improvements to public parks.

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

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

### DEBT SERVICE FUND

**CRA Debt Service Fund** - To account for the accumulation of resources to pay principal and interest on long-term debt obligations. The activities of this fund were transferred to the Redevelopment Agency’s Successor Agency on February 1, 2012. See Note 14 for more information.

**CITY OF BRAWLEY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2012**

	Special Revenue Funds				
	Gas Tax	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking	Dial -a- Ride
<b>ASSETS</b>					
Cash and investments	\$ 471,920	\$ 1,402,788	\$ 79,640	\$ -	\$ 73,426
Restricted cash and investments with fiscal agents					
Interest receivable	397	1,227	61		
Due from other governments	6,465			878	795
<b>Total assets</b>	<u>\$ 478,782</u>	<u>\$ 1,404,015</u>	<u>\$ 79,701</u>	<u>\$ 878</u>	<u>\$ 74,221</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 14,435	\$ 1,172	\$ -	\$ -	\$ -
Deferred revenue	85,377				
Due to other funds				2,611	
<b>Total liabilities</b>	<u>99,812</u>	<u>1,172</u>		<u>2,611</u>	
<b>Fund balances:</b>					
<b>Restricted for:</b>					
Streets and roads	378,970	1,402,843	79,701		74,221
Public safety					
Community development					
Assessment districts					
Unassigned				(1,733)	
<b>Total fund balances &lt;deficits&gt;</b>	<u>378,970</u>	<u>1,402,843</u>	<u>79,701</u>	<u>(1,733)</u>	<u>74,221</u>
<b>Total liabilities and fund balances</b>	<u>\$ 478,782</u>	<u>\$ 1,404,015</u>	<u>\$ 79,701</u>	<u>\$ 878</u>	<u>\$ 74,221</u>



Special Revenue Funds				Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
Law Enforcement	CRA Housing	Successor Agency Housing	Assessment Districts	Debt Service	Park Projects	Streets	Development Impact	
\$ 1,194,720	\$ -	\$ 1,960,300	\$ 464,628	\$ -	\$ -	\$ 2,027,368	\$ 1,731,365	\$ 9,406,155
			35,597					35,597
1,030		1,647	438			1,782	1,430	8,012
147,160			2,114					157,412
<u>\$ 1,342,910</u>	<u>\$ -</u>	<u>\$ 1,961,947</u>	<u>\$ 502,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,029,150</u>	<u>\$ 1,732,795</u>	<u>\$ 9,607,176</u>
\$ -	\$ -	\$ 4,102	\$ 2,773	\$ -	\$ 59	\$ 287,608	\$ 4,538	\$ 314,687
1,024						154,233		240,634
								2,611
<u>1,024</u>		<u>4,102</u>	<u>2,773</u>		<u>59</u>	<u>441,841</u>	<u>4,538</u>	<u>557,932</u>
						1,587,309		3,523,044
1,341,886		1,957,845	500,004		(59)		1,728,257	1,341,886
								3,686,102
								500,004
								(1,792)
<u>1,341,886</u>		<u>1,957,845</u>	<u>500,004</u>		<u>(59)</u>	<u>1,587,309</u>	<u>1,728,257</u>	<u>9,049,244</u>
<u>\$ 1,342,910</u>	<u>\$ -</u>	<u>\$ 1,961,947</u>	<u>\$ 502,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,029,150</u>	<u>\$ 1,732,795</u>	<u>\$ 9,607,176</u>

**CITY OF BRAWLEY**

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

**NONMAJOR GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2012

	Special Revenue Funds				
	Gas Tax	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking	Dial -a-Ride
<b>REVENUES</b>					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services				1,806	32,123
Use of money and property	1,282	3,475	210		
Intergovernmental	780,335	1,572,602	25,042		239,130
Miscellaneous	54,122				
Total revenues	<u>835,739</u>	<u>1,576,077</u>	<u>25,252</u>	<u>1,806</u>	<u>271,253</u>
<b>EXPENDITURES</b>					
Current:					
Public safety					
Community development					
Transportation	580,997	794,612		2,008	209,044
Capital outlay					
Debt service:					
Principal					
Interest and fiscal charges					
Total expenditures	<u>580,997</u>	<u>794,612</u>		<u>2,008</u>	<u>209,044</u>
Excess of revenues over (under) expenditures	<u>254,742</u>	<u>781,465</u>	<u>25,252</u>	<u>(202)</u>	<u>62,209</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					
Transfers out					
Total other financing sources (uses)					
Net change in fund balances before extraordinary items	<u>254,742</u>	<u>781,465</u>	<u>25,252</u>	<u>(202)</u>	<u>62,209</u>
<b>EXTRAORDINARY ITEMS</b>					
Gain (Loss) on Dissolution of the Redevelopment Agency					
Net change in fund balances	<u>254,742</u>	<u>781,465</u>	<u>25,252</u>	<u>(202)</u>	<u>62,209</u>
Fund Balances (Deficit) - beginning of fiscal year	<u>124,228</u>	<u>621,378</u>	<u>54,449</u>	<u>(1,531)</u>	<u>12,012</u>
Fund Balances (Deficit) - end of fiscal year	<u>\$ 378,970</u>	<u>\$ 1,402,843</u>	<u>\$ 79,701</u>	<u>\$ (1,733)</u>	<u>\$ 74,221</u>

Special Revenue Funds				Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
Law Enforcement	CRA Housing	Successor Agency Housing	Assessment Districts	Debt Service	Park Projects	Streets	Development Impact	
\$ -	\$ -	\$ -	\$ 134,056	\$ -	\$ -	\$ -	\$ -	\$ 134,056
27,500							132,949	194,378
4,039	8,608		1,526	2,303	83	7,221	6,048	34,795
231,484	195,156			315,883		120,257		3,479,889
								54,122
263,023	203,764		135,582	318,186	83	127,478	138,997	3,897,240
19,789								19,789
	244,725		17,446	1,700	11,461	24,192	22,822	322,346
68,740					233,566	316,623	27,873	1,586,661
				120,000				120,000
				242,706				242,706
88,529	244,725		17,446	364,406	245,027	340,815	50,695	2,938,304
174,494	(40,961)		118,136	(46,220)	(244,944)	(213,337)	88,302	958,936
					143,944			143,944
							(143,944)	(143,944)
					143,944		(143,944)	
174,494	(40,961)		118,136	(46,220)	(101,000)	(213,337)	(55,642)	958,936
	(1,957,845)	1,957,845		(941,384)				(941,384)
174,494	(1,998,806)	1,957,845	118,136	(987,604)	(101,000)	(213,337)	(55,642)	17,552
1,167,392	1,998,806		381,868	987,604	100,941	1,800,646	1,783,899	9,031,692
\$ 1,341,886	\$ -	\$ 1,957,845	\$ 500,004	\$ -	\$ (59)	\$ 1,587,309	\$ 1,728,257	\$ 9,049,244

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**INTERNAL SERVICE FUNDS**

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

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

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

**CITY OF BRAWLEY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2012**

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 1,470,032	\$ 498,256	\$ 1,968,288
Interest receivable	1,247	448	1,695
Due from other governments	166,138		166,138
Prepaid expenditures		819,292	819,292
Total Current Assets	<u>1,637,417</u>	<u>1,317,996</u>	<u>2,955,413</u>
Noncurrent Assets:			
Capital Assets:			
Improvements other than buildings	298,092	119,032	417,124
Equipment	1,926,381		1,926,381
Total Capital Assets	2,224,473	119,032	2,343,505
Less Accumulated Depreciation	(1,410,402)		(1,410,402)
Net Capital Assets	<u>814,071</u>	<u>119,032</u>	<u>933,103</u>
Total Noncurrent Assets	<u>814,071</u>	<u>119,032</u>	<u>933,103</u>
Total Assets	<u>2,451,488</u>	<u>1,437,028</u>	<u>3,888,516</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	4,277	50,389	54,666
Total Current Liabilities	<u>4,277</u>	<u>50,389</u>	<u>54,666</u>
Noncurrent Liabilities:			
Compensated absences	15,476		15,476
Claims payable		6,682	6,682
Total Noncurrent Liabilities	<u>15,476</u>	<u>6,682</u>	<u>22,158</u>
Total Liabilities	<u>19,753</u>	<u>57,071</u>	<u>76,824</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	814,071		814,071
Unrestricted	1,617,664	1,379,957	2,997,621
Total Net Assets	<u>\$ 2,431,735</u>	<u>\$ 1,379,957</u>	<u>\$ 3,811,692</u>

**CITY OF BRAWLEY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET ASSETS**  
For the Fiscal Year Ended June 30, 2012

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Totals</u>
Revenues:			
Charges for services	\$ 313,007	\$ 1,978,665	\$ 2,291,672
Use of money and property	538,590		538,590
	<u>851,597</u>	<u>1,978,665</u>	<u>2,830,262</u>
Expenses:			
Salary and benefits	249,380		249,380
Supplies and services	312,825	2,200,381	2,513,206
Depreciation	169,657		169,657
	<u>731,862</u>	<u>2,200,381</u>	<u>2,932,243</u>
Operating Income (Loss)	<u>119,735</u>	<u>(221,716)</u>	<u>(101,981)</u>
Non-Operating Revenue (Expenses)			
Intergovernmental revenue		945	945
Interest income	4,795	803	5,598
	<u>4,795</u>	<u>1,748</u>	<u>6,543</u>
Change in Net Assets	124,530	(219,968)	(95,438)
Net Assets - Beginning of Fiscal Year	<u>2,307,205</u>	<u>1,599,925</u>	<u>3,907,130</u>
Net Assets - End of Fiscal Year	<u>\$ 2,431,735</u>	<u>\$ 1,379,957</u>	<u>\$ 3,811,692</u>

**CITY OF BRAWLEY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2012

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from users	\$ 851,597	\$ 1,978,665	\$ 2,830,262
Cash payments to suppliers and contractors	(327,643)	(2,246,422)	(2,574,065)
Cash payments for employees and benefit programs	(245,252)		(245,252)
Net Cash Provided (Used) By Operating Activities	<u>278,702</u>	<u>(267,757)</u>	<u>10,945</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Intergovernmental revenue (expense)	<u>(5,197)</u>	<u>945</u>	<u>(4,252)</u>
Net Cash Provided (Used) By Non-Capital Financing Activities	<u>(5,197)</u>	<u>945</u>	<u>(4,252)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	<u>4,820</u>	<u>1,033</u>	<u>5,853</u>
Net Cash Provided In Investing Activities	<u>4,820</u>	<u>1,033</u>	<u>5,853</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>278,325</b>	<b>(265,779)</b>	<b>12,546</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR</b>	<b><u>1,191,707</u></b>	<b><u>764,035</u></b>	<b><u>1,955,742</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR</b>	<b><u>\$ 1,470,032</u></b>	<b><u>\$ 498,256</u></b>	<b><u>\$ 1,968,288</u></b>
Reconciliation with Statement of Net Assets			
Cash and investments	<u>\$ 1,470,032</u>	<u>\$ 498,256</u>	<u>\$ 1,968,288</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 1,470,032</u></b>	<b><u>\$ 498,256</u></b>	<b><u>\$ 1,968,288</u></b>

(Continued)



**CITY OF BRAWLEY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2012 (Continued)**

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	<u>\$ 119,735</u>	<u>\$ (221,716)</u>	<u>\$ (101,981)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Depreciation	169,657		169,657
Increase (Decrease) compensated absences	4,128		4,128
Increase (Decrease) accounts payable and accrued liabilities	<u>(14,818)</u>	<u>(46,041)</u>	<u>(60,859)</u>
Total Adjustments	<u>158,967</u>	<u>(46,041)</u>	<u>112,926</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 278,702</u></u>	<u><u>\$ (267,757)</u></u>	<u><u>\$ 10,945</u></u>

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

Christy White, CPA

John Dominguez, CPA, CFE

Heather Daud

Michael Ash, CPA

Erin Sacco Pineda, CPA

Governing Board  
City of Brawley  
Brawley, California

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 (City) as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated April 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the City of Brawley is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion on it.

We noted certain matters that we reported to management of the City in a separate letter dated April 1, 2013.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California  
April 1, 2013