

CITY OF BRAWLEY
STATE OF CALIFORNIA

ANNUAL FINANCIAL REPORT
June 30, 2011

CITY OF BRAWLEY
Brawley, California

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Brawley, California

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FINANCIAL SECTION



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Independent Auditor's Report

The Honorable Members of the City Council of the
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 fiscal year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above 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 of Brawley, California, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 of the notes to basic financial statements effective July 1, 2010, The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*, and Statement No. 59, *Financial Instruments Omnibus*.

In accordance with Government Auditing Standards, we have also issued a report dated March 31, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 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 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund, and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Economic & Community Development Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining nonmajor fund financial statements, major capital projects fund budgetary comparison schedule, and internal service fund statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining nonmajor fund financial statements, major capital projects fund budgetary comparison schedule, and internal service fund statements are the responsibility of management and were derived from and relate 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
March 31, 2012

CITY OF BRAWLEY
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 18,719,863	\$ 4,445,305	\$ 23,165,168
Restricted cash and investments with fiscal agents	415,567	637,498	1,053,065
Accounts receivable	536,299	1,189,877	1,726,176
Interest receivable	446,930	5,795	452,725
Notes receivable	9,054,741		9,054,741
Due from other governments	1,281,888	3,785,780	5,067,668
Deferred charges		70,395	70,395
Prepaid expenses	819,292		819,292
Capital assets not being depreciated	3,490,993	22,178,157	25,669,150
Capital assets, net of accumulated depreciation	24,122,993	45,118,368	69,241,361
 Total assets	 <u>58,888,566</u>	 <u>77,431,175</u>	 <u>136,319,741</u>
LIABILITIES			
Accounts payable	2,611,468	5,159,732	7,771,200
Accrued interest payable	61,700	151,460	213,160
Deposits payable	547,394	451,464	998,858
Unearned revenue		555,398	555,398
Noncurrent liabilities:			
Due within one year	134,290	1,510,322	1,644,612
Due in more than one year	5,928,365	31,389,372	37,317,737
 Total liabilities	 <u>9,283,217</u>	 <u>39,217,748</u>	 <u>48,500,965</u>
NET ASSETS			
Invested in capital assets, net of related debt	21,978,191	35,268,281	57,246,472
Restricted for:			
Public safety	1,167,392		1,167,392
Community development	13,957,767		13,957,767
Culture and leisure	163,869		163,869
Debt service	925,904	566,737	1,492,641
Capital facilities	499,967		499,967
Unrestricted	10,912,259	2,378,409	13,290,668
 Total net assets	 <u>\$ 49,605,349</u>	 <u>\$ 38,213,427</u>	 <u>\$ 87,818,776</u>

See Notes to Basic Financial Statements

CITY OF BRAWLEY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 3,712,464	\$ 1,455,324	\$ 165,788	\$ 700,543
Public safety	9,152,068	800,976	233,455	503,213
Culture and leisure	2,956,260	200,522	45,632	40,983
Community development	3,541,571	3,245,398	200,981	1,654,395
Streets and highways	2,633,056	298,677	1,500,643	778,840
Pass-through agreements	29,436			
Interest on long-term debt	259,000			
Total governmental activities	22,283,855	6,000,897	2,146,499	3,677,974
Business-type Activities:				
Water	6,393,582	5,891,025		
Wastewater	4,087,494	5,178,402		
Solid Waste	1,275,650	1,313,147		
Airport	456,120	2,040		
Total business-type activities	12,212,846	12,384,614		
Total primary government	\$ 34,496,701	\$ 18,385,511	\$ 2,146,499	\$ 3,677,974

General Revenues:

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

Net assets - beginning of fiscal year

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
\$ (1,390,809)	\$ -	\$ (1,390,809)
(7,614,424)		(7,614,424)
(2,669,123)		(2,669,123)
1,559,203		1,559,203
(54,896)		(54,896)
(29,436)		(29,436)
(259,000)		(259,000)
<u>(10,458,485)</u>		<u>(10,458,485)</u>
	(502,557)	(502,557)
	1,090,908	1,090,908
	37,497	37,497
	<u>(454,080)</u>	<u>(454,080)</u>
	171,768	171,768
<u>(10,458,485)</u>	<u>171,768</u>	<u>(10,286,717)</u>
1,956,496		1,956,496
287,238		287,238
670,355		670,355
30,031		30,031
4,538,993		4,538,993
3,607,630		3,607,630
145,412		145,412
975,286		975,286
1,508,841	896,969	2,405,810
<u>13,720,282</u>	<u>896,969</u>	<u>14,617,251</u>
3,261,797	1,068,737	4,330,534
46,343,552	37,144,690	83,488,242
<u>\$ 49,605,349</u>	<u>\$ 38,213,427</u>	<u>\$ 87,818,776</u>

CITY OF BRAWLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	<u>General</u>	<u>Economic & Community Development</u>	<u>CRA Capital Projects</u>
ASSETS			
Cash and investments	\$ 5,397,574	\$ 798,100	\$ 711,817
Restricted cash and investments with fiscal agents		5,207	
Interest receivable	5,312	969	1,077
Due from other governments	823,183	70,621	
Due from other funds	1,531		
Notes receivable		<u>8,819,069</u>	<u>235,672</u>
 Total assets	 <u>\$ 6,227,600</u>	 <u>\$ 9,693,966</u>	 <u>\$ 948,566</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 913,497	\$ -	\$ 467,470
Deposits payable	221,052		
Deferred revenue	259	8,819,069	235,672
Due to other funds			
 Total liabilities	 <u>1,134,808</u>	 <u>8,819,069</u>	 <u>703,142</u>
Fund balances:			
Restricted for:			
Streets and roads			
Public safety			
Community development		874,897	245,424
Assessment districts			
Debt service			
Library	62,928		
Parks and recreation			
Unassigned	<u>5,029,864</u>		
 Total fund balances	 <u>5,092,792</u>	 <u>874,897</u>	 <u>245,424</u>
 Total liabilities and fund balances	 <u>\$ 6,227,600</u>	 <u>\$ 9,693,966</u>	 <u>\$ 948,566</u>

Streets Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,448,635	\$ 7,407,995	\$ 16,764,121
	410,360	415,567
2,337	7,559	17,254
144,015	83,128	1,120,947
		1,531
		9,054,741
<u>\$ 2,594,987</u>	<u>\$ 7,909,042</u>	<u>\$ 27,374,161</u>
\$ 794,341	\$ 320,635	\$ 2,495,943
	326,342	547,394
		9,055,000
	1,531	1,531
<u>794,341</u>	<u>648,508</u>	<u>12,099,868</u>
1,800,646	841,555	2,642,201
	1,167,392	1,167,392
	3,782,705	4,903,026
	381,868	381,868
	987,604	987,604
		62,928
	100,941	100,941
	(1,531)	5,028,333
<u>1,800,646</u>	<u>7,260,534</u>	<u>15,274,293</u>
<u>\$ 2,594,987</u>	<u>\$ 7,909,042</u>	<u>\$ 27,374,161</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, 2011

Fund balances of governmental funds	\$ 15,274,293
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.	26,511,226
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.	9,055,000
Long-term debt and compensated absences have not been included in the governmental funds.	
Long-term debt	(5,635,795)
Compensated absences	(408,830)
Interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of net assets, it is recognized in the period that it is incurred.	(61,700)
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.	3,907,130
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>427,726</u>
Net assets of governmental activities	<u>\$ 49,605,349</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, 2011

	General	Economic & Community Development	CRA Capital Projects
REVENUES			
Taxes:			
Utility users	\$ 1,956,496	\$ -	\$ -
Transient lodging	287,238		
Franchise	670,356		
Business license	30,032		
Property			
Licenses and permits	308,163		
Fines and forfeitures	594,749		
Use of money and property	37,629	276,374	44,256
Intergovernmental	6,910,536	32,296	1,092,987
Charges for services	3,086,932		
Miscellaneous	93,280		
Total revenues	<u>13,975,411</u>	<u>308,670</u>	<u>1,137,243</u>
EXPENDITURES			
Current:			
General government	2,322,019		
Public safety	8,421,731		
Culture and leisure	2,760,563		
Community development	1,480,614	88,157	1,389,752
Transportation			741,570
Capital outlay			
Debt service:			
Principal			
Interest and fiscal charges			
Intergovernmental expenditures			
Total expenditures	<u>14,984,927</u>	<u>88,157</u>	<u>2,131,322</u>
Net change in fund balances	(1,009,516)	220,513	(994,079)
Fund Balances (Deficit) - July 1, 2010	<u>6,102,308</u>	<u>654,384</u>	<u>1,239,503</u>
Fund Balances - June 30, 2011	<u>\$ 5,092,792</u>	<u>\$ 874,897</u>	<u>\$ 245,424</u>

See Notes to Basic Financial Statements

Streets Capital Projects	Other Governmental Funds	Totals
\$ -	\$ -	\$ 1,956,496
		287,238
		670,356
		30,032
	157,928	157,928
		308,163
		594,749
5,241	29,125	392,625
3,050,191	3,917,587	15,003,597
	53,490	3,140,422
265	5,840	99,385
<u>3,055,697</u>	<u>4,163,970</u>	<u>22,640,991</u>
		2,322,019
	129,603	8,551,334
		2,760,563
	327,078	3,285,601
28,109	1,554,514	1,582,623
632,418	955,671	2,329,659
	115,000	115,000
	259,000	259,000
	30,440	30,440
<u>660,527</u>	<u>3,371,306</u>	<u>21,236,239</u>
2,395,170	792,664	1,404,752
(594,524)	6,467,870	13,869,541
<u>\$ 1,800,646</u>	<u>\$ 7,260,534</u>	<u>\$ 15,274,293</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, 2011**

Net change in fund balances - total governmental funds	\$ 1,404,752
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.	466,557
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.	(98,117)
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	115,000
Repayment of capital lease	13,425
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.	606,219
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	1,004
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>752,957</u>
Change in net assets of governmental activities	<u>\$ 3,261,797</u>

See Notes to Basic Financial Statements

CITY OF BRAWLEY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2011

with Comparative Statement as of June 30, 2010

	Business-type Activities Enterprise Funds			
	Water		Wastewater	
	Current Year	Prior Year	Current Year	Prior Year
ASSETS				
Current Assets:				
Cash and investments	\$ 1,410,104	\$ 417,757	\$ 2,528,491	\$ 359,736
Accounts receivable, net	515,558	846,981	414,810	410,111
Interest receivable	1,438	1,950	3,656	2,611
Due from other governments			3,785,534	1,174,568
Deferred charges	70,395	79,489		
Prepaid expenses				
Total current assets	<u>1,997,495</u>	<u>1,346,177</u>	<u>6,732,491</u>	<u>1,947,026</u>
Noncurrent Assets:				
Restricted cash and investments with fiscal agents			637,498	467,495
Advances to other funds			1,605,839	1,605,839
Capital assets not being depreciated	115	115		
Construction in progress			22,176,092	7,181,350
Capital assets, net of accumulated depreciation	<u>31,736,762</u>	<u>33,005,320</u>	<u>11,306,726</u>	<u>11,909,445</u>
Total noncurrent assets	<u>31,736,877</u>	<u>33,005,435</u>	<u>35,726,155</u>	<u>21,164,129</u>
Total assets	<u>33,734,372</u>	<u>34,351,612</u>	<u>42,458,646</u>	<u>23,111,155</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	414,740	204,137	4,508,667	1,092,303
Interest payable	80,699	57,264	70,761	50,269
Deposits payable	443,759	396,111	5,930	5,930
Deferred revenue	555,398	369,817		
Current portion of long term debt	<u>1,184,049</u>	<u>1,178,050</u>	<u>326,273</u>	<u>312,538</u>
Total current liabilities	<u>2,678,645</u>	<u>2,205,379</u>	<u>4,911,631</u>	<u>1,461,040</u>
Noncurrent liabilities:				
Compensated absences	152,707	140,281	81,245	76,703
Claims payable				
Contracts payable, net of deferred gain and unamortized discount	8,411,551	9,289,200	1,690,977	1,837,250
Certificates of participation, net of unamortized discount			794,385	963,353
Revenue bonds payable, net of unamortized premium	2,911,470	3,084,243		
Advances from other funds	1,605,839	1,605,839		
Bonds payable	<u>92,500</u>	<u>109,000</u>	<u>17,254,537</u>	<u>2,413,175</u>
Total noncurrent liabilities	<u>13,174,067</u>	<u>14,228,563</u>	<u>19,821,144</u>	<u>5,290,481</u>
Total liabilities	<u>15,852,712</u>	<u>16,433,942</u>	<u>24,732,775</u>	<u>6,751,521</u>
NET ASSETS				
Invested in capital assets, net of related debt	17,531,468	17,739,103	15,659,983	18,050,988
Restricted for debt service			566,737	417,226
Unrestricted	<u>350,192</u>	<u>178,567</u>	<u>1,499,151</u>	<u>(2,108,580)</u>
Total net assets	<u>\$ 17,881,660</u>	<u>\$ 17,917,670</u>	<u>\$ 17,725,871</u>	<u>\$ 16,359,634</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		
\$ -	\$ 82,270	\$ 506,710	\$ 563,087	\$ 4,445,305	\$ 1,955,742
245,377	153,239	14,132		1,189,877	
143	359	558	752	5,795	1,950
		246		3,785,780	160,941
				70,395	
					819,292
<u>245,520</u>	<u>235,868</u>	<u>521,646</u>	<u>563,839</u>	<u>9,497,152</u>	<u>2,937,925</u>
				637,498	
				1,605,839	
		1,950	1,950	2,065	
				22,176,092	
		<u>2,074,880</u>	<u>2,240,723</u>	<u>45,118,368</u>	<u>1,102,760</u>
		<u>2,076,830</u>	<u>2,242,673</u>	<u>69,539,862</u>	<u>1,102,760</u>
<u>245,520</u>	<u>235,868</u>	<u>2,598,476</u>	<u>2,806,512</u>	<u>79,037,014</u>	<u>4,040,685</u>
139,971	169,006	96,354	3,888	5,159,732	115,525
				151,460	
		1,775	2,100	451,464	
				555,398	
				1,510,322	
<u>139,971</u>	<u>169,006</u>	<u>98,129</u>	<u>5,988</u>	<u>7,828,376</u>	<u>115,525</u>
				233,952	11,348
					6,682
				10,102,528	
				794,385	
				2,911,470	
				1,605,839	
				17,347,037	
				<u>32,995,211</u>	<u>18,030</u>
<u>139,971</u>	<u>169,006</u>	<u>98,129</u>	<u>5,988</u>	<u>40,823,587</u>	<u>133,555</u>
		2,076,830	2,242,673	35,268,281	983,728
				566,737	
<u>105,549</u>	<u>66,862</u>	<u>423,517</u>	<u>557,851</u>	<u>2,378,409</u>	<u>2,923,402</u>
<u>\$ 105,549</u>	<u>\$ 66,862</u>	<u>\$ 2,500,347</u>	<u>\$ 2,800,524</u>	<u>\$ 38,213,427</u>	<u>\$ 3,907,130</u>

CITY OF BRAWLEY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2011

with Comparative Statements for the Fiscal Year Ended June 30, 2010

	Business-Type Activities Enterprise Funds			
	Water		Wastewater	
	Current Year	Prior Year	Current Year	Prior Year
Operating Revenues:				
Charges for services (net of refunds)	\$ 5,891,025	\$ 5,812,459	\$ 5,178,402	\$ 4,391,553
Use of money and property				
Other				20,345
Total operating revenues	5,891,025	5,812,459	5,178,402	4,411,898
Operating Expenses:				
Salary and benefits	1,583,200	1,484,989	495,749	501,926
Administration	358,900	354,500	183,700	218,898
Supplies and services	2,941,762	2,743,103	2,809,067	2,345,806
Depreciation	1,297,674	1,297,674	459,245	428,472
Total operating expenses	6,181,536	5,880,266	3,947,761	3,495,102
Operating income (loss)	(290,511)	(67,807)	1,230,641	916,796
Non-Operating Revenues (Expenses):				
Use of money and property	466,547	23,133	275,329	14,997
Amortization of gain (loss) on debt refunding	255,038	274,481	(11,032)	(12,950)
Intergovernmental revenue (expense)	39,971	21,870		
Interest expense and fiscal charges	(507,055)	(576,248)	(128,701)	(132,434)
Total non-operating revenues (expenses)	254,501	(256,764)	135,596	(130,387)
Income (Loss) before transfers	(36,010)	(324,571)	1,366,237	786,409
Transfers:				
Transfers out				(118,000)
Changes in net assets	(36,010)	(324,571)	1,366,237	668,409
Total Net Assets - beginning	17,917,670	18,242,241	16,359,634	15,691,225
Prior Period Adjustments				
Total Net Assets (Deficit) - beginning, restated	17,917,670	18,242,241	16,359,634	15,691,225
Total Net Assets - ending	<u>\$17,881,660</u>	<u>\$17,917,670</u>	<u>\$17,725,871</u>	<u>\$16,359,634</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		
\$ 1,313,147	\$ 1,138,612	\$ 2,040	\$ 977	\$ 12,384,614	\$ 2,300,574
		153,903	129,456	153,903	534,395
			290		
<u>1,313,147</u>	<u>1,138,612</u>	<u>155,943</u>	<u>130,723</u>	<u>12,538,517</u>	<u>2,834,969</u>
			2,121	2,078,949	244,390
		12,000	5,300	554,600	
1,275,650	1,020,442	278,277	83,240	7,304,756	1,835,774
		165,843	108,673	1,922,762	169,657
<u>1,275,650</u>	<u>1,020,442</u>	<u>456,120</u>	<u>199,334</u>	<u>11,861,067</u>	<u>2,249,821</u>
<u>37,497</u>	<u>118,170</u>	<u>(300,177)</u>	<u>(68,611)</u>	<u>677,450</u>	<u>585,148</u>
			2,848	743,066	6,151
1,190	1,231			244,006	
				39,971	161,658
				(635,756)	
<u>1,190</u>	<u>1,231</u>		<u>2,848</u>	<u>391,287</u>	<u>167,809</u>
<u>38,687</u>	<u>119,401</u>	<u>(300,177)</u>	<u>(65,763)</u>	<u>1,068,737</u>	<u>752,957</u>
<u>38,687</u>	<u>119,401</u>	<u>(300,177)</u>	<u>(65,763)</u>	<u>1,068,737</u>	<u>752,957</u>
66,862	15,702	2,800,524	2,866,287	37,144,690	3,154,173
	(68,241)				
<u>66,862</u>	<u>(52,539)</u>	<u>2,800,524</u>	<u>2,866,287</u>	<u>37,144,690</u>	<u>3,154,173</u>
<u>\$ 105,549</u>	<u>\$ 66,862</u>	<u>\$ 2,500,347</u>	<u>\$ 2,800,524</u>	<u>\$ 38,213,427</u>	<u>\$ 3,907,130</u>

CITY OF BRAWLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2011

with Comparative Statements for the Fiscal Year Ended June 30, 2010

	Business-Type Activities Enterprise Funds			
	Water		Wastewater	
	Current Year	Prior Year	Current Year	Prior Year
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 6,270,096	\$ 5,714,011	\$ 5,173,704	\$ 4,038,978
Cash payments to suppliers for goods and services	(3,090,059)	(3,258,997)	423,597	(1,572,087)
Cash payments for employees and benefit programs	(1,570,774)	(1,459,483)	(491,207)	(489,322)
Net cash provided (used) by operating activities	<u>1,609,263</u>	<u>995,531</u>	<u>5,106,094</u>	<u>1,977,569</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers out				(118,000)
Intergovernmental revenue (expense)	<u>39,971</u>	<u>21,870</u>		
Net cash provided (used) by non-capital financing activities	<u>39,971</u>	<u>21,870</u>		<u>(118,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Intergovernmental revenue (expense)	185,581	671,167	(2,610,966)	(1,174,568)
Purchase of capital assets			(15,023,858)	(4,780,734)
Loan proceeds			14,843,948	2,413,175
Principal paid on debt	(1,178,050)	(1,172,450)	(312,538)	(298,899)
Interest paid on debt and fiscal charges	(131,477)	(146,581)	(108,209)	(119,370)
Net cash provided (used) by capital and related financing activities	<u>(1,123,946)</u>	<u>(647,864)</u>	<u>(3,211,623)</u>	<u>(3,960,396)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	<u>467,059</u>	<u>21,304</u>	<u>274,284</u>	<u>27,580</u>
Net cash provided by investing activities	<u>467,059</u>	<u>21,304</u>	<u>274,284</u>	<u>27,580</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>992,347</u>	<u>390,841</u>	<u>2,168,755</u>	<u>(2,073,247)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	<u>417,757</u>	<u>26,916</u>	<u>359,736</u>	<u>2,432,983</u>
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	<u>\$ 1,410,104</u>	<u>\$ 417,757</u>	<u>\$ 2,528,491</u>	<u>\$ 359,736</u>
Reconciliation to Statement of Net Assets:				
Cash and investments	<u>\$ 1,410,104</u>	<u>\$ 417,757</u>	<u>\$ 2,528,491</u>	<u>\$ 359,736</u>
CASH AND CASH EQUIVALENTS	<u>\$ 1,410,104</u>	<u>\$ 417,757</u>	<u>\$ 2,528,491</u>	<u>\$ 359,736</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		
\$ 1,221,009	\$ 985,583	\$ 141,811	\$ 130,723	\$ 12,806,620	\$ 2,834,969
(1,304,685)	(1,081,432)	(198,136)	(107,781)	(4,169,283)	(1,869,220)
			(2,121)	(2,061,981)	(243,547)
(83,676)	(95,849)	(56,325)	20,821	6,575,356	722,202
				61,841	
				39,971	
	(2,229)	(246)	(1,385)	(2,425,631)	166,855
				(15,023,858)	(119,032)
				14,843,948	
				(1,490,588)	
				(239,686)	
	(2,229)	(246)	(1,385)	(4,335,815)	47,823
1,406	872	194	3,662	742,943	6,276
1,406	872	194	3,662	742,943	6,276
(82,270)	(97,206)	(56,377)	23,098	3,022,455	776,301
82,270	179,476	563,087	539,989	1,422,850	1,179,441
\$ -	\$ 82,270	\$ 506,710	\$ 563,087	\$ 4,445,305	\$ 1,955,742
\$ -	\$ 82,270	\$ 506,710	\$ 563,087	\$ 4,445,305	\$ 1,955,742
\$ -	\$ 82,270	\$ 506,710	\$ 563,087	\$ 4,445,305	\$ 1,955,742

(Continued)

CITY OF BRAWLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2011

with Comparative Statements for the Fiscal Year Ended June 30, 2010

(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)	\$ (290,511)	\$ (67,807)	\$ 1,230,641	\$ 916,796
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,297,674	1,297,674	459,245	428,473
(Increase) decrease in accounts receivable	331,423	(118,466)	(4,699)	(372,920)
Increase (decrease) in accounts payable and accrued liabilities	210,603	(161,394)	3,416,365	992,616
Increase (decrease) in compensated absences	12,426	25,506	4,542	12,605
Increase (decrease) in deposits payable	47,648	20,018		
Total adjustments	1,899,774	1,063,338	3,875,453	1,060,774
Net cash provided by (used by) operating activities	\$ 1,609,263	\$ 995,531	\$ 5,106,094	\$ 1,977,570

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		
\$ 37,497	\$ 118,170	\$ (300,177)	\$ (68,611)	\$ 677,450	\$ 585,148
		165,843	108,673	1,922,762	169,657
(92,138)	(153,029)	(14,132)		220,454	
(29,035)	(60,990)	92,466	(19,091)	3,690,399	(33,447)
				16,968	844
		(325)	(150)	47,323	
(121,173)	(214,019)	243,852	89,432	5,897,906	137,054
\$ (83,676)	\$ (95,849)	\$ (56,325)	\$ 20,821	\$ 6,575,356	\$ 722,202

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.

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.

Streets Capital Projects Fund

This fund accounts for resources set aside for major improvements 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 1st, and is delinquent after December 10th; the second installment is due February 1st and is delinquent after April 10th. Taxes become a lien on the property on January 1st, and on the date of the transfer of the title, and the date of new construction.

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

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

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

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

J. Inventory

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Restricted Assets

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

L. Capital Assets

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

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

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

M. Compensated Absences

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

N. Self-insurance

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

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

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net 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 Agency has implemented the requirements of GASB Statement No. 54 and No. 59 during the fiscal year ended June 30, 2011.

Governmental Accounting Standards Board Statement No. 54

For the fiscal year ended June 30, 2011, the City implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54), "*Fund Balance Reporting and Governmental Fund Type Definitions*," The requirements of this statement are effective for financial statement periods beginning after June 15, 2010. GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and is clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Fund Balance section of this footnote.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 59

For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 59, “*Financial Instrument Omnibus*”. This Statement establishes standards to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

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 1st of each fiscal year for the General Fund, special revenue, capital projects, debt service, and enterprise funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

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

B. Deficit Fund Balances

At June 30, 2011, the following funds had an accumulated deficit:

Fund	Amount
<u>Nonmajor Funds:</u>	
Downtown Parking Special Revenue Fund	\$ 1,531

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 – Streets Capital Projects Fund.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2011, the following funds had excess of expenditures over appropriations:

<u>Fund</u>	<u>Amount</u>
<u>Major Funds:</u>	
General Fund	\$ 287,238
CRA Capital Projects Fund	776,462

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Primary Government:

Statement of net assets:

Cash and investments	\$ 23,165,168
Restricted cash and investments with fiscal agent	1,053,065
Total cash and investments, Statement of Net Assets	<u>\$ 24,218,233</u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 1,100
Deposits with financial institutions	1,616,966
Investments	22,600,167
Total cash and investments	<u>\$ 24,218,233</u>

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Government Bonds	5 years	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.

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

C. Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
State Investment Pool (LAIF)	\$ 20,766,766	\$ 20,766,766	\$ -	\$ -	\$ -
Held by Bond Trustees:					
Money Market Funds	1,833,401	1,833,401			
	<u>\$ 22,600,167</u>	<u>\$ 22,600,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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	\$ 20,766,766	N/A	\$ -	\$ -	\$ -	\$ -	\$ 20,766,766
Held by Bond Trustee: Money Market Funds	1,833,401			1,833,401			
Total	\$ 22,600,167		\$ -	\$ 1,833,401	\$ -	\$ -	\$ 20,766,766

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, 2011, 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.

Receivable Fund	Payable Fund	Amount
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, 2011.

Receivable Fund	Amount	Payable Fund	Amount
Major Governmental Fund:		Nonmajor Governmental Funds:	
General	\$ 1,531	Downtown Parking	\$ 1,531
Totals	\$ 1,531	Totals	\$ 1,531

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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.	61,512
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>4,945,796</u>
	<u><u>\$ 8,819,069</u></u>

Community Redevelopment Agency Capital Projects Fund

Loan to Larry Allen receivable in installments of \$2,703.81 per month including interest at 6%. Secured by deed of trust.	<u>\$ 235,672</u>
	<u><u>\$ 235,672</u></u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance as of July 1, 2010	Additions	Deletions	Transfers	Balance as of June 30, 2011
Governmental Activities					
Nondepreciable capital assets					
Land	\$ 823,293	\$ -	\$ -	\$ -	\$ 823,293
Construction in progress	4,601,951	873,291		(2,807,542)	2,667,700
Total nondepreciable capital assets	5,425,244	873,291		(2,807,542)	3,490,993
Depreciable capital assets					
Equipment	7,861,620	230,124			8,091,744
Buildings	6,369,520	619,135			6,988,655
Improvements other than buildings	6,849,998	1,163,874		2,807,542	10,821,414
Infrastructure	15,060,833				15,060,833
Total depreciable capital assets	36,141,971	2,013,133		2,807,542	40,962,646
Less accumulated depreciation					
Equipment	(4,984,405)	(579,781)			(5,564,186)
Buildings	(2,338,306)	(177,926)			(2,516,232)
Improvements other than buildings	(1,696,083)	(458,327)			(2,154,410)
Infrastructure	(5,350,619)	(1,254,206)			(6,604,825)
Total accumulated depreciation	(14,369,413)	(2,470,240)			(16,839,653)
Net depreciable capital assets	21,772,558	(457,107)		2,807,542	24,122,993
Net capital assets	\$ 27,197,802	\$ 416,184	\$ -	\$ -	\$ 27,613,986

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

General government	\$ 354,233
Public safety	600,734
Streets and highways	1,050,433
Community development	209,122
Culture and recreation	255,718
Total Depreciation Expense - Governmental Activities	\$ 2,470,240

	Balance as of July 1, 2010	Additions	Deletions	Balance as of June 30, 2011
Business-type Activities				
Nondepreciable capital assets				
Land	\$ 2,065	\$ -	\$ -	\$ 2,065
Construction in progress	7,181,350	14,994,742		22,176,092
Total nondepreciable capital assets	7,183,415	14,994,742		22,178,157
Depreciable capital assets				
Equipment	2,467,706	29,116		2,496,822
Buildings	30,959,413			30,959,413
Improvements other than buildings	4,598,096			4,598,096
Conveyance systems	34,714,528			34,714,528
Total depreciable capital assets	72,739,743	29,116		72,768,859
Less accumulated depreciation				
Equipment	(1,569,496)	(90,252)		(1,659,748)
Buildings	(10,284,199)	(909,131)		(11,193,330)
Improvements other than buildings	(2,092,640)	(203,942)		(2,296,582)
Conveyance systems	(11,781,394)	(719,437)		(12,500,831)
Total accumulated depreciation	(25,727,729)	(1,922,762)		(27,650,491)
Net depreciable capital assets	47,012,014	(1,893,646)		45,118,368
Net capital assets	\$ 54,195,429	\$ 13,101,096	\$ -	\$ 67,296,525

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

Water	\$ 1,297,674
Wastewater	459,245
Airport	165,843
Total Depreciation Expense - Business-type Activities	<u>\$ 1,922,762</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, 2011:

	Balance as of July 1, 2010	Additions	Reductions	Balance as of June 30, 2011	Due Within One Year
Governmental Activities:					
Tax allocation bonds 2006	\$ 5,650,000	\$ -	\$ (115,000)	\$ 5,535,000	\$ 120,000
Capital lease	114,220		(13,425)	100,795	14,290
Claims payable	6,682			6,682	
Compensated absences	1,025,554		(605,376)	420,178	
Total long-term liabilities	<u>\$ 6,796,456</u>	<u>\$ -</u>	<u>\$ (733,801)</u>	<u>\$ 6,062,655</u>	<u>\$ 134,290</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, 2011 is \$5,535,000.

The scheduled annual minimum debt service requirements at June 30, 2011 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2012	\$ 120,000	\$ 248,752	\$ 368,752
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
2017-2021	790,000	1,053,023	1,843,023
2022-2026	980,000	861,714	1,841,714
2027-2031	1,225,000	612,263	1,837,263
2032-2036	1,535,000	287,565	1,822,565
2037	355,000	8,875	363,875
Totals	<u>\$ 5,535,000</u>	<u>\$ 4,019,691</u>	<u>\$ 9,554,691</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 –LONG-TERM DEBT (CONTINUED)

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, 2011, including interest are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 14,290	\$ 6,495	\$ 20,785
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>\$ 100,795</u>	<u>\$ 23,914</u>	<u>\$ 124,709</u>

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, 2011:

	Balance as of July 1, 2010	Additions	Reductions	Balance as of June 30, 2011	Due Within One Year
Business-type Activities:					
Contracts payable	\$ 13,056,018	\$ -	\$ (1,140,088)	\$ 11,915,930	\$ 1,143,822
Deferred gain	1,592,638		(255,038)	1,337,600	234,981
Unamortized discount	(2,382,140)		374,957	(2,007,183)	(347,376)
Certificates of participation	1,170,000		(170,000)	1,000,000	180,000
Unamortized discount	(36,646)		11,032	(25,614)	9,092
Revenue bonds payable	3,225,000		(165,000)	3,060,000	170,000
Unamortized premium	24,244		(2,774)	21,470	(2,672)
Deferred charges	(79,489)		9,094	(70,395)	8,761
Bonds payable	124,500		(15,500)	109,000	16,500
CSWRCB Loan	2,413,175	14,841,364		17,254,539	
Compensated absences	216,984	16,968		233,952	
Total long-term liabilities	<u>\$ 19,324,284</u>	<u>\$ 14,858,332</u>	<u>\$ (1,353,317)</u>	<u>\$ 32,829,299</u>	<u>\$ 1,413,108</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, 2011 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, 2011 is \$11,960,000.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 – LONG-TERM DEBT (CONTINUED)

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

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, 2011, including deferred gain of \$1,014,739, and net of unamortized discount of \$1,684,332 is \$7,242,143. Debt service requirements to maturity on the contract, which includes imputed interest, are as follows:

Fiscal Year Ending June 30,	Principal	Imputed Interest	Total
2012	\$ 498,561	\$ 292,613	\$ 791,174
2013	522,745	268,428	791,173
2014	548,105	243,069	791,174
2015	574,694	216,480	791,174
2016	602,571	188,602	791,173
2017-2021	3,480,738	475,130	3,955,868
	<u>\$ 6,227,414</u>	<u>\$ 1,684,322</u>	<u>\$ 7,911,736</u>

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

There is no difference between the reacquisition price and the carrying amount of the old debt. The balance payable as June 30, 2011, including deferred gain of \$322,861, and net of unamortized discount of \$322,851 is \$2,166,954. Debt service requirements to maturity which includes imputed interest, are as follows:

Fiscal Year Ending June 30,	Principal	Imputed Interest	Total
2012	\$ 151,613	\$ 54,763	\$ 206,376
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
2017-2021	936,627	95,251	1,031,878
2022-2023	101,645	1,541	103,186
	<u>\$ 1,844,083</u>	<u>\$ 322,861</u>	<u>\$ 2,166,944</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, 2011, including unamortized premium of \$21,470 is \$3,081,470. The balance of unamortized costs of issuance is \$70,395. Debt service requirements to maturity on the revenue bonds are as follows:

CITY OF BRAWLEY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Water Enterprise Fund: Revenue Bonds Payable (Continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 170,000	\$ 130,108	\$ 300,108
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
2017-2021	1,085,000	397,809	1,482,809
2022-2025	1,070,000	110,000	1,180,000
	<u>\$ 3,060,000</u>	<u>\$ 1,097,585</u>	<u>\$ 4,157,585</u>

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, 2011 is \$109,000. Debt service requirements to maturity on the Water District Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 16,500	\$ 5,450	\$ 21,950
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>\$ 109,000</u>	<u>\$ 19,695</u>	<u>\$ 128,695</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, 2011 is \$1,837,250. Debt service requirements to maturity on the contract are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 146,273	\$ 46,220	\$ 192,493
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
2017-2021	877,098	83,454	960,552
2022-2023	189,447	2,482	191,929
	<u>\$ 1,837,250</u>	<u>\$ 277,180</u>	<u>\$ 2,114,430</u>

NOTE 7 – LONG-TERM DEBT (CONTINUED)

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, 2011, net of unamortized discount of \$25,614 is \$974,386. Debt service requirements to maturity on the certificates of participation are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 180,000	\$ 50,000	\$ 230,000
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>\$ 1,000,000</u>	<u>\$ 155,000</u>	<u>\$ 1,155,000</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 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

SERAF Contingency

During the fiscal year 2008-2009, the State of California experienced a severe budgetary crisis. Various “budget trailer bills” were passed by the state legislature to balance the state’s budget, including bills that required California redevelopment agencies to transfer funds to the Educational Revenue Augmentation Fund (ERAF) and Supplemental Educational Revenue Augmentation Fund (SERAF) administered by the various county auditor-controllers. Noted below is a general explanation of the ERAF and SERAF legislation, together with the effect of this legislation on the Brawley Redevelopment Agency (the Agency).

ERAF Contribution

Pursuant to AB 1389, a budget trailer bill, California redevelopment agencies were required to make ERAF contributions totaling \$350 million.

In response to AB 1389, the California Redevelopment Association (CRA) filed a lawsuit against the State of California (California Redevelopment Association et al v. Genest), challenging the constitutionality of the required ERAF contributions. On April 30, 2009, the Sacramento Superior Court held in favor of CRA, ruling that AB 1389 was unconstitutional. On September 28, 2009, the State of California announced its decision not to appeal the decision in “Genest”. Accordingly, the Superior Court’s decision is now final and binding, and California redevelopment agencies will not be required to make the ERAF contributions pursuant to AB 1389.

SERAF Contributions

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make SERAF contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portion of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the (CRA) filed a class action lawsuit on behalf of all California redevelopment agencies challenging the SERAF obligations as unconstitutional.

The Agency’s SERAF contributions are \$137,000 for the fiscal year 2010-2011 and estimated to be \$234,000 for 2011-2012. It is the position of Agency officials that the SERAF contributions required by AB 26 4x are unconstitutional, and that the Agency is not obligated to make these contributions, however, the Agency has made the contribution for 2010-2011.

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, 2011, 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, 2011, 2010, and 2009 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, 2011, 2010, and 2009 were \$1,002,678, \$936,152, and \$711,746 respectively and equal to 100% of the required contributions for each fiscal year.

NOTE 13 – SUBSEQUENT EVENTS

On June 28, 2011, the California Legislature adopted Assembly Bill XI 26 (Dissolution Act) and Assembly Bill XI 27 (Continuation Act) (additional information on this legislation is available in Note 12). The California Redevelopment Association, the League of California Cities, and two cities have sued to prevent enforcement of the Acts. On August 11, 2011, the Supreme Court of California (Supreme Court) agreed to hear the lawsuit and committed to issuing a decision by January 15, 2012. The Supreme Court also issued a stay of many elements of the Acts, including dissolution, County actions required for continuation, and the required payment, until the Supreme Court rules on the merits of the case. The deadlines imposed by the Acts with respect to affirmation of continuation are expected to be re-set by the Supreme Court at that time, depending on its decision. If the Supreme Court upholds these Acts, the realization of any costs related to the Continuation Act is subject to an action by the City Council taken subsequent to the issuance of this report. Should the City Council elect to discontinue the Agency, it would then be dissolved and its rights, obligations and responsibilities would be assigned to a successor agency. If the Supreme Court upholds these Acts, the City Council will consider the ordinance required for continuation of the Agency subsequent to the issuance of this report.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 13 – SUBSEQUENT EVENTS (CONTINUED)

On August 22, 2011, the Redevelopment Agency adopted the Enforceable Obligation Payment Schedule. On September 15, 2011, the Redevelopment Agency adopted the draft Recognized Obligation Payment Schedule. No other actions have been taken in light of the stay orders issued by the California Supreme Court California Redevelopment Assn. v. Matosantos (S194861). If the Dissolution Act and Continuation Act are upheld, the Agency will be required to make a determination to continue or to dissolve the Agency. These actions will be taken subsequent to the issuance of this report.

On December 29, 2011, the State Supreme Court upheld that the State's Assembly Bill XI 26 (Dissolution Act) was not unconstitutional, but that the State's Assembly Bill XI 27 (Continuation Act) was unconstitutional. On January 10, 2012, the City adopted a resolution to elect the City as the Successor Agency of the Brawley Community Redevelopment Agency and the Successor Housing Agency of the Brawley Community Redevelopment Agency pursuant to Assembly Bill XI 26. On January 30, 2012, the City adopted a resolution to establish a budgetary fund relating to the Successor Agency of the Brawley Community Redevelopment Agency. As the Successor Agency, the City also readopted the Enforceable Obligation Payment Schedule. The City also established a budgetary fund to account for the housing activities of the dissolved Community Redevelopment Agency.

NOTE 14 – 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, 2011, and through March 29, 2012, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.

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, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Utility users	\$ 1,777,000	\$ 1,777,000	\$ 1,956,496	\$ 179,496
Transient lodging	240,000	240,000	287,238	47,238
Franchise	450,000	450,000	670,356	220,356
Business license	45,000	45,000	30,032	(14,968)
Licenses and permits	71,500	71,500	308,163	236,663
Fines and forfeitures	98,000	98,000	594,749	496,749
Use of money and property	20,000	20,000	37,629	17,629
Intergovernmental	6,212,002	6,212,002	6,910,536	698,534
Charges for services	3,446,096	3,446,096	3,086,932	(359,164)
Miscellaneous	400,706	400,706	93,280	(307,426)
Total revenues	12,760,304	12,760,304	13,975,411	1,215,107
EXPENDITURES				
Current:				
General government	2,032,114	2,032,114	2,322,019	(289,905)
Public safety	7,862,377	7,862,377	8,421,731	(559,354)
Culture and leisure	2,405,240	2,405,240	2,760,563	(355,323)
Community development	1,908,734	1,908,734	1,480,614	428,120
Total expenditures	14,208,465	14,208,465	14,984,927	(776,462)
Net change in fund balance	(1,448,161)	(1,448,161)	(1,009,516)	438,645
Fund Balance - July 1, 2010	6,102,308	6,102,308	6,102,308	
Fund Balance - June 30, 2011	\$ 4,654,147	\$ 4,654,147	\$ 5,092,792	\$ 438,645

CITY OF BRAWLEY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ECONOMIC & COMMUNITY DEVELOPMENT FUND
For the Fiscal Year Ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 281,000	\$ 281,000	\$ 276,374	\$ (4,626)
Intergovernmental			32,296	32,296
Total revenues	<u>281,000</u>	<u>281,000</u>	<u>308,670</u>	<u>27,670</u>
EXPENDITURES				
Current:				
Community development	<u>531,000</u>	<u>531,000</u>	<u>88,157</u>	<u>442,843</u>
Total expenditures	<u>531,000</u>	<u>531,000</u>	<u>88,157</u>	<u>442,843</u>
Net change in fund balance	(250,000)	(250,000)	220,513	470,513
Fund Balance - July 1, 2010	<u>654,384</u>	<u>654,384</u>	<u>654,384</u>	
Fund Balance - June 30, 2011	<u>\$ 404,384</u>	<u>\$ 404,384</u>	<u>\$ 874,897</u>	<u>\$ 470,513</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF BRAWLEY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CRA CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Use of money and property	\$ 75,000	\$ 44,256	\$ (30,744)
Intergovernmental	1,425,000	1,092,987	(332,013)
Miscellaneous	40,000		(40,000)
Total revenues	1,540,000	1,137,243	(402,757)
EXPENDITURES			
Current:			
Community development	1,303,843	1,389,752	(85,909)
Capital outlay	877,268	741,570	135,698
Total expenditures	2,181,111	2,131,322	49,789
Net change in fund balance	(641,111)	(994,079)	(352,968)
Fund Balance - July 1, 2010	1,239,503	1,239,503	
Fund Balance - June 30, 2011	<u>\$ 598,392</u>	<u>\$ 245,424</u>	<u>\$ (352,968)</u>

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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.

SB 325 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.

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.

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.

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

The **Debt Service Fund** accounts for the accumulation of resources to pay principal and interest on long-term debt obligations.

CITY OF BRAWLEY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue Funds				
	Gas Tax	SB 325	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking
ASSETS					
Cash and investments	\$ 247,005	\$ 359,892	\$ 619,475	\$ 159,521	\$ -
Restricted cash and investments with fiscal agents					
Interest receivable	233	359	596	166	
Due from other governments	3,234				
Total assets	\$ 250,472	\$ 360,251	\$ 620,071	\$ 159,687	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 126,244	\$ 4,421	\$ (1,307)	\$ 105,238	\$ -
Deposits payable		326,342			
Due to other funds					1,531
Total liabilities	126,244	330,763	(1,307)	105,238	1,531
Fund balances:					
Restricted for:					
Streets and roads	124,228	29,488	621,378	54,449	
Public safety					
Community development					
Assessment districts					
Debt Service					
Parks and recreation					
Unassigned					(1,531)
Total fund balances <deficits>	124,228	29,488	621,378	54,449	(1,531)
Total liabilities and fund balances	\$ 250,472	\$ 360,251	\$ 620,071	\$ 159,687	\$ -

Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
Dial -a- Ride	Law Enforcement	CRA Housing	Assessment Districts	Debt Service	Park Projects	Development Impact	
\$ 12,012	\$1,087,454	\$ 2,010,586	\$ 345,533	#####	\$ 100,901	\$ 1,847,478	\$ 7,407,995
			35,597	374,763			410,360
	1,068	1,961	400	749	117	1,910	7,559
	79,894						83,128
<u>\$ 12,012</u>	<u>\$1,168,416</u>	<u>\$ 2,012,547</u>	<u>\$ 381,530</u>	<u>#####</u>	<u>\$ 101,018</u>	<u>\$ 1,849,388</u>	<u>\$ 7,909,042</u>
\$ -	\$ 1,024	\$ 13,741	\$ (338)	\$ 6,046	\$ 77	\$ 65,489	\$ 320,635
							326,342
							1,531
	1,024	13,741	(338)	6,046	77	65,489	648,508
12,012	1,167,392	1,998,806	381,868	987,604	100,941	1,783,899	841,555
							1,167,392
							3,782,705
							381,868
							987,604
							100,941
							(1,531)
<u>12,012</u>	<u>1,167,392</u>	<u>1,998,806</u>	<u>381,868</u>	<u>987,604</u>	<u>100,941</u>	<u>1,783,899</u>	<u>7,260,534</u>
<u>\$ 12,012</u>	<u>\$1,168,416</u>	<u>\$ 2,012,547</u>	<u>\$ 381,530</u>	<u>#####</u>	<u>\$ 101,018</u>	<u>\$ 1,849,388</u>	<u>\$ 7,909,042</u>

CITY OF BRAWLEY**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NONMAJOR GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds				
	Gas Tax	SB 325	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking
REVENUES					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services					520
Use of money and property	1,012	718	1,408	596	
Intergovernmental	590,026		1,398,852	21,827	
Miscellaneous					
Total revenues	<u>591,038</u>	<u>718</u>	<u>1,400,260</u>	<u>22,423</u>	<u>520</u>
EXPENDITURES					
Current:					
Public safety					
Community development					
Transportation	509,429		845,465		1,500
Capital outlay				105,238	
Debt service:					
Principal					
Interest and fiscal charges					
Intergovernmental expenditures					
Total expenditures	<u>509,429</u>		<u>845,465</u>	<u>105,238</u>	<u>1,500</u>
Net change in fund balances	81,609	718	554,795	(82,815)	(980)
Fund Balances (Deficit) - beginning of fiscal year	<u>42,619</u>	<u>28,770</u>	<u>66,583</u>	<u>137,264</u>	<u>(551)</u>
Fund Balances (Deficit) - end of fiscal year	<u>\$ 124,228</u>	<u>\$ 29,488</u>	<u>\$ 621,378</u>	<u>\$ 54,449</u>	<u>\$ (1,531)</u>

Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
Dial -a-Ride	Law Enforcement	CRA Housing	Assessment Districts	Debt Service	Park Projects	Development Impact	
\$ -	\$ -	\$ -	\$ 157,928	\$ -	\$ -	\$ -	\$ 157,928
26,142	26,828						53,490
	3,473	7,448	1,312	3,199	1,025	8,934	29,125
198,630	660,563	405,033		394,440		248,216	3,917,587
					5,840		5,840
224,772	690,864	412,481	159,240	397,639	6,865	257,150	4,163,970
	129,603						129,603
		242,696	24,663	1,700	46,348	11,671	327,078
198,120							1,554,514
	91,400				359,543	399,490	955,671
				115,000			115,000
				259,000			259,000
		30,440					30,440
198,120	221,003	273,136	24,663	375,700	405,891	411,161	3,371,306
26,652	469,861	139,345	134,577	21,939	(399,026)	(154,011)	792,664
(14,640)	697,531	1,859,461	247,291	965,665	499,967	1,937,910	6,467,870
\$ 12,012	\$ 1,167,392	\$ 1,998,806	\$ 381,868	\$ 987,604	\$ 100,941	\$ 1,783,899	\$ 7,260,534

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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, 2011

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and investments	\$ 1,191,707	\$ 764,035	\$ 1,955,742
Interest receivable	1,272	678	1,950
Due from other governments	160,941		160,941
Prepaid expenditures		819,292	819,292
Total Current Assets	<u>1,353,920</u>	<u>1,584,005</u>	<u>2,937,925</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	(1,240,745)		(1,240,745)
Net Capital Assets	<u>983,728</u>	<u>119,032</u>	<u>1,102,760</u>
Total Noncurrent Assets	<u>983,728</u>	<u>119,032</u>	<u>1,102,760</u>
Total Assets	<u>2,337,648</u>	<u>1,703,037</u>	<u>4,040,685</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	19,095	96,430	115,525
Total Current Liabilities	<u>19,095</u>	<u>96,430</u>	<u>115,525</u>
Noncurrent Liabilities:			
Compensated absences	11,348		11,348
Claims payable		6,682	6,682
Total Noncurrent Liabilities	<u>11,348</u>	<u>6,682</u>	<u>18,030</u>
Total Liabilities	<u>30,443</u>	<u>103,112</u>	<u>133,555</u>
NET ASSETS			
Invested in capital assets, net of related debt	983,728		983,728
Unrestricted	1,323,477	1,599,925	2,923,402
Total Net Assets	<u>\$ 2,307,205</u>	<u>\$ 1,599,925</u>	<u>\$ 3,907,130</u>

CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
For the Fiscal Year Ended June 30, 2011

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Totals</u>
Revenues:			
Charges for services	\$ 353,864	\$ 1,946,710	\$ 2,300,574
Use of money and property	534,395		534,395
Total Revenues	<u>888,259</u>	<u>1,946,710</u>	<u>2,834,969</u>
Expenses:			
Salary and benefits	244,390		244,390
Supplies and services	363,877	1,471,897	1,835,774
Depreciation	169,657		169,657
Total Expenses	<u>777,924</u>	<u>1,471,897</u>	<u>2,249,821</u>
Operating Income (Loss)	<u>110,335</u>	<u>474,813</u>	<u>585,148</u>
Non-Operating Revenue (Expenses)			
Intergovernmental revenue	160,941	717	161,658
Interest income	4,165	1,986	6,151
Total Non-Operating Revenue	<u>165,106</u>	<u>2,703</u>	<u>167,809</u>
Change in Net Assets	275,441	477,516	752,957
Net Assets - Beginning of Fiscal Year	<u>2,031,764</u>	<u>1,122,409</u>	<u>3,154,173</u>
Net Assets - End of Fiscal Year	<u>\$ 2,307,205</u>	<u>\$ 1,599,925</u>	<u>\$ 3,907,130</u>

CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from users	\$ 888,259	\$ 1,946,710	\$ 2,834,969
Cash payments to suppliers and contractors	(356,154)	(1,513,066)	(1,869,220)
Cash payments for employees and benefit programs	(243,547)		(243,547)
Net Cash Provided (Used) By Operating Activities	<u>288,558</u>	<u>433,644</u>	<u>722,202</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Intergovernmental revenue	<u>166,138</u>	<u>717</u>	<u>166,855</u>
Net Cash Provided (Used) By Non-Capital Financing Activities	<u>166,138</u>	<u>717</u>	<u>166,855</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets		<u>(119,032)</u>	<u>(119,032)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities		<u>(119,032)</u>	<u>(119,032)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	<u>3,722</u>	<u>2,554</u>	<u>6,276</u>
Net Cash Provided In Investing Activities	<u>3,722</u>	<u>2,554</u>	<u>6,276</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	458,418	317,883	776,301
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	<u>733,289</u>	<u>446,152</u>	<u>1,179,441</u>
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	<u><u>\$ 1,191,707</u></u>	<u><u>\$ 764,035</u></u>	<u><u>\$ 1,955,742</u></u>
Reconciliation with Statement of Net Assets			
Cash and investments	<u>\$ 1,191,707</u>	<u>\$ 764,035</u>	<u>\$ 1,955,742</u>
CASH AND CASH EQUIVALENTS	<u><u>\$ 1,191,707</u></u>	<u><u>\$ 764,035</u></u>	<u><u>\$ 1,955,742</u></u>

(Continued)

CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011 (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>\$ 110,335</u>	<u>\$ 474,813</u>	<u>\$ 585,148</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Depreciation	169,657		169,657
Increase (Decrease) compensated absences	844		844
Increase (Decrease) accounts payable and accrued liabilities	<u>7,722</u>	<u>(41,169)</u>	<u>(33,447)</u>
Total Adjustments	<u>178,223</u>	<u>(41,169)</u>	<u>137,054</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 288,558</u></u>	<u><u>\$ 433,644</u></u>	<u><u>\$ 722,202</u></u>