

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

**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2020**

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

**Table of Contents**

**INTRODUCTORY SECTION**

Table of Contents..... i

**FINANCIAL SECTION**

**Independent Auditor’s Report** ..... 1

**Management’s Discussion and Analysis** ..... 5

**Basic Financial Statements:**

Government-wide Financial Statements:

Statement of Net Position ..... 17

Statement of Activities ..... 18

Fund Financial Statements:

Governmental Funds:

Balance Sheet ..... 20

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position ..... 23

Statement of Revenues, Expenditures, and Changes in Fund Balances ..... 24

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities ..... 27

Proprietary Funds:

Statement of Net Position ..... 28

Statement of Revenues, Expenses, and Changes in Net Position ..... 30

Statement of Cash Flows ..... 32

Fiduciary Funds:

Statement of Fiduciary Net Position ..... 36

Statement of Changes in Net Position ..... 37

Notes to Basic Financial Statements ..... 39

**Required Supplementary Information**

Schedule of Revenues, Expenditures, and Changes in Fund Balances

- Budget and Actual:

General Fund ..... 67

Economic & Community Development Special Revenue Fund ..... 68

Schedule of the City’s Proportionate Share of the Net Pension Liability ..... 69

Schedule of Pension Contributions ..... 70

Schedule of Changes in Total OPEB Liability and Related Ratios ..... 71

Schedule of OPEB Contributions ..... 72

Notes to Required Supplementary Information ..... 73

**Other Supplementary Information**

Schedule of Revenues, Expenditures, and Changes in Fund Balances

- Budget and Actual:

Park Projects Capital Projects Fund ..... 74

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

**Table of Contents**

**Other Supplementary Information (Continued)**

Nonmajor Governmental Funds:	
Description .....	75
Combining Balance Sheet .....	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	78
Internal Service Funds:	
Description .....	81
Combining Statement of Net Position .....	82
Combining Statement of Revenue, Expenses, and Changes in Net Position.....	83
Combining Statement of Cash Flows .....	84

## **FINANCIAL SECTION**



# MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

## **PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA  
ALEXANDER C HOM, CPA  
ADAM V GUISE, CPA  
TRAVIS J HOLE, CPA

## COMMERCIAL ACCOUNTING & TAX SERVICES

433 N. CAMDEN DRIVE, SUITE 730  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.670.1689  
www.mlhcpas.com

## GOVERNMENTAL AUDIT SERVICES

5800 HANNUM AVE., SUITE E  
CULVER CITY, CA 90230  
TEL: 310.670.2745  
FAX: 310.670.1689  
www.mlhcpas.com

## **INDEPENDENT AUDITOR'S REPORT**

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

### Report on the Financial Statements

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, 2020, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 15 to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Given the uncertainty of the situation, the duration of any financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, 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 and Community Development Special Revenue Fund, Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Pension Contributions, Schedule of Changes in Net OPEB Liability and Related Ratios, and Schedule of OPEB Contributions on pages 5 through 15 and 67 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brawley’s basic financial statements. The Combining Financial Statements for the Nonmajor Governmental Funds and the Combining Financial Statements for the Internal Service Funds listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Combining Financial Statements for the Nonmajor Governmental Funds and the Combining Financial Statements for the Internal Service Funds are the responsibility of management and were derived from and related 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 our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Moss, Levy & Hartzheim, LLP  
Culver City, California  
November 25, 2020

**This page intentionally left blank**



**CITY OF BRAWLEY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

As management of the City of Brawley (City), we offer readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. Our intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the City. The analysis will focus on changes from prior year to explain the City overall financial condition. Please read this analysis in conjunction with the financial statements, which follow this section.

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

**FINANCIAL HIGHLIGHTS**

Financial highlights of fiscal year ended June 30, 2020 include the following:

Government-wide:

- The City's total net position was \$101,670,835 as of June 30, 2020. Of this total, \$30,878,958 was governmental net position and \$70,791,877 was business-type net position.
- Government-wide revenues include program revenues of \$7,608,471 and general revenues and transfers of \$12,632,333, for a total of \$20,240,804.
- Government-wide expenses were \$18,486,433.
- Business-type program revenues, interest and transfers were \$16,013,368 while business-type expenses were \$12,536,043.

Fund Level:

- Governmental fund balances *increased* \$2,419,507 in fiscal year 2020 prior to prior period adjustments.
- Governmental fund revenues *decreased* \$570,335 in fiscal year 2020 due to fluctuations that are the result of the timing differences of reimbursable grants, decreases in charges for services, as well as the availability of intergovernmental grants.
- Governmental fund expenditures *increased* \$310,123 in fiscal year 2020 largely due to increases in public safety expenditures that were partially offset due to decreases in parks and recreation expenditures.

General Fund:

- General Fund revenues remained largely the same in total with a small *increase* of \$197,995 in fiscal year 2020.
- General Fund expenditures remained largely the same with a small *increase* of \$1,656 in fiscal year 2020.
- General Fund balance *increased* \$873,009 in fiscal year 2020.

**OVERVIEW OF THE ANNUAL FINANCIAL REPORT**

This Annual Financial Report is divided into five parts:

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

Government-wide Financial Statements

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

**CITY OF BRAWLEY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

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

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

Fund Financial Statements

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

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

In the City's case, there are three major governmental funds in addition to the General Fund: Economics and Community Development Special Revenue Fund, Parks Project Capital Projects Fund and SB 325 Special Revenue Fund.

The City reports 3 major enterprise funds

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

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

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

**CITY OF BRAWLEY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE**

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

Table 1

	<b>Governmental Activities 2020</b>	<b>Governmental Activities 2019</b>
<b><u>Assets</u></b>		
Cash and investments	\$ 26,280,589	\$ 25,357,469
Other assets	9,119,920	8,977,448
Capital assets, net	<u>32,111,261</u>	<u>31,427,939</u>
<b>Total Assets</b>	<u>67,511,770</u>	<u>65,762,856</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension related	7,197,250	10,522,264
OPEB related	<u>591,380</u>	<u>100,421</u>
<b>Total Def. Outflows</b>	<u>7,788,630</u>	<u>10,622,685</u>
<b><u>Liabilities</u></b>		
Long term liabilities	25,289,583	25,338,541
Other liabilities	<u>11,451,047</u>	<u>12,894,871</u>
<b>Total Liabilities</b>	<u>36,740,630</u>	<u>38,233,412</u>
<b><u>Deferred Inflows of Resources</u></b>		
Pension related	7,393,648	8,521,232
OPEB related	<u>287,164</u>	<u>331,105</u>
<b>Total Def. Inflows</b>	<u>7,680,812</u>	<u>8,852,337</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	32,111,261	31,427,939
Restricted	22,157,726	20,727,920
Unrestricted	<u>(23,390,029)</u>	<u>(22,856,067)</u>
<b>Total Net Position</b>	<u>\$ 30,878,958</u>	<u>\$ 29,299,792</u>

The City's governmental net position amounted to \$30,878,958 as of June 30, 2020, an increase of \$1,754,371 from the prior fiscal year before prior period adjustments. The City's net position as of June 30, 2020 comprised the following:

Cash and investments comprised \$26,280,589. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements.

Receivables comprised \$1,909,535 of current receivables and loans receivable of \$7,100,747 that is due over longer periods of time as explained the Notes.

Capital assets of \$32,111,261 net of depreciation charges, which included all the City's capital assets used in governmental activities.

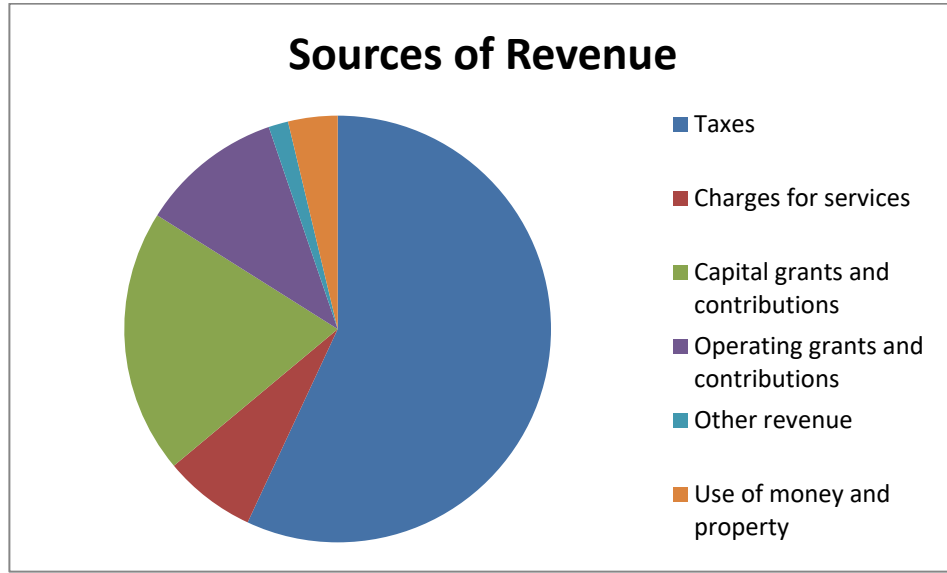
Current liabilities, including accounts payable, claims and other amounts due currently, totaled \$2,952,598.

Long-term liabilities of \$25,289,583 includes the net pension liability but not the current portion of long term debt.

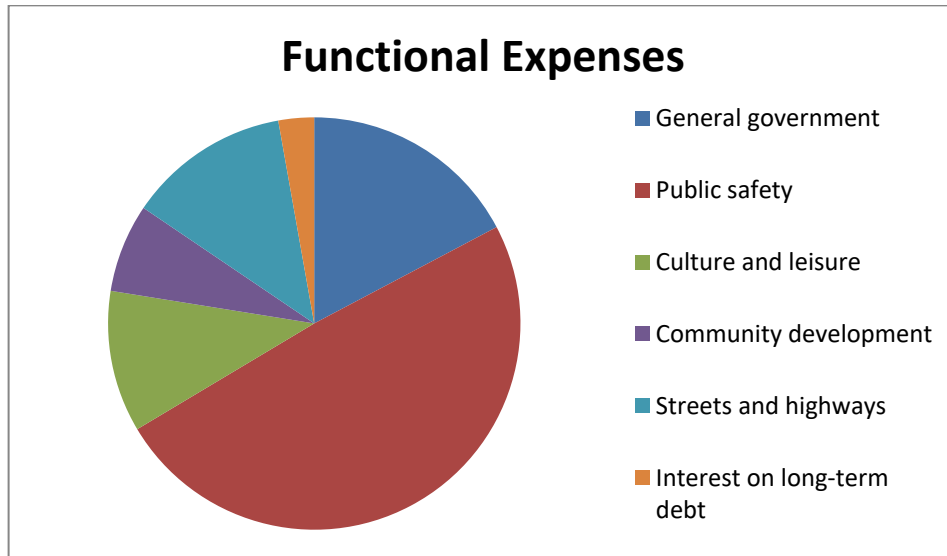
**CITY OF BRAWLEY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Net investment in capital assets of \$32,111,261, representing the City's investment in capital assets used in governmental activities, any cash with fiscal agent associated with capital asset related debt net of accumulated depreciation, and amounts borrowed to finance those investments.

Unrestricted net position, the part of net positions that can be used to finance day to day operations without constraints established by debt covenants or other legal requirements or restrictions, was \$ (23,390,029) as of June 30, 2020 due to the size of the net pension liability.



As the Sources of Revenue chart above shows, \$11,450,268, or 57% of the City's fiscal year 2020 governmental activities revenue came from taxes, while \$1,407,149, or 7% came from charges for services, \$4,025,628 or 20%, came from capital grants and contributions, \$2,175,694 or 11% came from operating grants and contributions, and the remainder came from a variety of sources including interest revenue.



The Functional Expenses chart above includes only current year expenses; it does not include capital outlays, which are added to the City's capital assets. As the chart shows, general government was \$3,191,899 or 17%, of total governmental expenses, public safety was \$9,088,064, or 49%, culture and leisure was \$2,054,319, or 11%, community development was \$1,281,866, or 7%, and streets and highways was \$2,352,653 or 13%, the remainder is composed of interest expense.

**CITY OF BRAWLEY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Table 2  
**CHANGE IN GOVERNMENTAL NET POSITION**

	<b>Governmental Activities 2020</b>	<b>Governmental Activities 2019</b>
<b>Expenses</b>		
General government	\$ 3,191,899	\$ 4,553,354
Public safety	9,088,064	11,436,719
Culture and leisure	2,054,319	2,992,671
Community development	1,281,866	2,358,116
Transportation	2,352,653	2,725,190
Interest on long-term debt	517,632	
<b>Total Expenses</b>	<b>18,486,433</b>	<b>24,066,050</b>
<b>Revenues</b>		
<u>Program revenues</u>		
Charges for services	1,407,149	6,018,700
Operating grants and contributions	2,175,694	3,280,626
Capital grants and contributions	4,025,628	2,183,862
<b>Total program revenues</b>	<b>7,608,471</b>	<b>11,483,188</b>
<u>General revenues and transfers</u>		
Taxes	11,450,268	9,834,190
Use of money and property	753,686	1,351,774
Other revenue	298,389	301,473
Transfers	129,990	202,541
<b>Total general revenues and transfers</b>	<b>12,632,333</b>	<b>11,689,978</b>
<b>Total Revenues and Transfers</b>	<b>20,240,804</b>	<b>23,173,166</b>
<b>Change in Net Position</b>	<b>\$ 1,754,371</b>	<b>\$ (892,884)</b>

As Table 2 above shows, \$7,608,471 or 38%, of the City's fiscal year 2020 governmental revenue, came from program revenues and \$12,632,333, or 62%, came from general revenues such as taxes and interest and transfers. Program revenues were composed of charges for services of \$1,407,149, which included permit revenues, fees and charges used to fund expenses incurred in providing services; \$2,175,694 of operating grants and contributions, which included gas tax revenues and housing and police grants; and capital grants and contributions of \$4,025,628, that consisted mainly of project grants and developer impact fees restricted to capital outlay. During the fiscal year ended 2020, internal charges have been eliminated on the government-wide statements while previously it had not been. This cause a decrease in both revenues and expenditures but has no net effect on the operating results of the City but needs to be considered when comparing revenue or expenditure related operating results when viewed in isolation.

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

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

**CITY OF BRAWLEY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Table 3  
**GOVERNMENTAL ACTIVITIES**

	<b>Net Revenue (Expense) from Services 2020</b>	<b>Net Revenue (Expense) from Services 2019</b>
General government	\$ (2,251,966)	\$ (1,531,769)
Public safety	(8,000,527)	(10,200,184)
Culture and leisure	(1,810,422)	(2,125,882)
Community development	(613,606)	563,857
Transportation	2,316,191	711,116
Interest and fiscal charges	(517,632)	
<b>Total</b>	<b>\$ (10,877,962)</b>	<b>\$ (12,582,862)</b>

**BUSINESS-TYPE ACTIVITIES**

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

Table 4  
**BUSINESS-TYPE NET POSITION AT JUNE 30, 2020**

	<b>Business-type Activities 2020</b>	<b>Business-type Activities 2019</b>
<b><u>Assets</u></b>		
Cash and investments	\$ 25,184,794	\$ 21,522,820
Other assets	1,362,420	1,290,305
Capital assets, net	59,850,926	61,347,113
<b>Total Assets</b>	<b>86,398,140</b>	<b>84,160,238</b>
<b><u>Deferred Outflows of Resources</u></b>		
OPEB related	881,597	1,273,743
Pension related	55,269	9,385
<b>Total Def. Outflows</b>	<b>936,866</b>	<b>1,283,128</b>
<b><u>Liabilities</u></b>		
Long term liabilities	11,730,281	13,690,362
Other liabilities	3,836,165	3,266,172
<b>Total Liabilities</b>	<b>15,566,446</b>	<b>16,956,534</b>
<b><u>Deferred Inflows of Resources</u></b>		
OPEB related	949,845	1,071,296
Pension related	26,838	30,945
<b>Total Def. Inflows</b>	<b>976,683</b>	<b>1,102,241</b>
<b><u>Net Position</u></b>		
Net investment in capital assets	47,434,881	46,909,461
Restricted	197,150	189,017
Unrestricted	23,159,846	20,286,113
<b>Total Net Position</b>	<b>\$ 70,791,877</b>	<b>\$ 67,384,591</b>

The net position of business-type activities increased by \$3,477,325 in fiscal year 2020 before prior period adjustments.

**CITY OF BRAWLEY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**BUSINESS-TYPE ACTIVITIES (continued)**

Table 5  
**CHANGE IN BUSINESS-TYPE NET POSITION**

	<b>Net Revenue (Expense) from Services 2020</b>	<b>Net Revenue (Expense) from Services 2019</b>
Water	\$ 1,313,765	\$ 1,936,683
Wastewater	2,077,500	2,328,730
Solid Waste	6,208	5,447
Airport	(436,022)	(402,951)
<b>Total</b>	<b>\$ 2,961,451</b>	<b>\$ 3,867,909</b>

**ANALYSIS OF MAJOR FUNDS**

Governmental Funds

*General Fund*

General Fund revenues decreased slightly during the current fiscal and while expenditures increased in relation to the previous fiscal year. Total revenues exceeded budgeted amounts by \$1,173,291 due large part to both property and excise taxes revenues being higher than amounts originally anticipated based on prior year operating results. Other tax revenues were similar to the prior fiscal year. Other revenues fluctuate with relation to the budget as well as prior year results but did not have a material effect on the total variance between budgeted and actual operations.

General Fund expenditures were \$15,832,621, largely the same as the prior year. Expenditures were greater than budgeted amounts due to the fact that debt services payments are not budgeted by management.

As of June 30, 2020, the General Fund's fund balance totaled \$1,797,236. The unassigned portion of \$1,738,411 of the fund balances represents available liquid resources.

*Economics and Community Development Special Revenue Fund*

This fund is utilized to track deferred loans receivable. Funds were not utilized in the fiscal year 2020.

*SB 325 Special Revenue Fund*

This fund accounts for the revenue received by the City under SB 325 for public transportation. Funds are still being held for future projects, but work has begun on several projects during the fiscal year with the majority of capital outlay to follow in future fiscal years.

**CITY OF BRAWLEY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**ANALYSIS OF MAJOR FUNDS (continued)**

Proprietary Funds

*Water Fund*

Operating revenues increased \$550,424 in fiscal year 2020 and expenses increased by \$1,163,751 resulting in a net operating gain of \$1,377,493. This change was largely due to an increase of supplies and material costs from prior year. Water usage increase with industrial customers but remain consistent with residents.

The fund's net position increased by \$1,463,659 to a new total of \$24,629,576. Of this amount, \$19,538,675 was net investment in capital assets.

*Wastewater Fund*

Operating revenues increased \$445,994 in the fiscal year 2020. Operating expenses increased by \$704,490. The fund's net position increased by \$2,430,800 in fiscal year 2020. There weren't any significant changes in operations during the current fiscal year.

As of June 30, 2020, the fund's net position was \$39,557,878, of which \$21,781,111 was net investment in capital assets, \$197,150 was restricted for debt service and \$17,579,617 was unrestricted.

**CAPITAL ASSETS**

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

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

In fiscal year 2020, the City reported the cost of all its infrastructure assets and computed the amounts of accumulated depreciation for these assets based on their original acquisition dates. At the end of fiscal year 2020, the cost of infrastructure and other capital assets recorded on the City's financial statements is as shown in Table 6 on the following page.



**CITY OF BRAWLEY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Table 6

<b>Governmental Activities</b>	Balance as of June 30, 2019	Additions	Deletions	Balance as of June 30, 2020
Nondepreciable capital assets				
Land	\$ 966,706	\$ -	\$ -	\$ 966,706
Construction in progress	4,557,976	2,853,995		7,411,971
Total nondepreciable capital assets	<u>5,524,682</u>	<u>2,853,995</u>		<u>8,378,677</u>
Depreciable capital assets				
Equipment	10,183,247	75,510		10,258,757
Buildings	14,565,604			14,565,604
Improvements other than buildings	18,221,562	31,710		18,253,272
Infrastructure	20,314,587	23,000		20,337,587
Total depreciable capital assets	<u>63,285,000</u>	<u>130,220</u>		<u>63,415,220</u>
Less accumulated depreciation				
Equipment	(8,143,685)	(389,887)		(8,533,572)
Buildings	(5,166,641)	(460,461)		(5,627,102)
Improvements other than buildings	(8,315,551)	(710,603)		(9,026,154)
Infrastructure	(15,755,866)	(739,942)		(16,495,808)
Total accumulated depreciation	<u>(37,381,743)</u>	<u>(2,300,893)</u>		<u>(39,682,636)</u>
Net depreciable capital assets	<u>25,903,257</u>	<u>(2,170,673)</u>		<u>23,732,584</u>
Net capital assets	<u>\$ 31,427,939</u>	<u>\$ 683,322</u>	<u>\$ -</u>	<u>\$ 32,111,261</u>

Table 7

<b>Business-type Activities</b>	Balance as of June 30, 2019	Additions	Deletions	Balance as of June 30, 2020
Nondepreciable capital assets				
Land	\$ 37,076	\$ -	\$ -	\$ 37,076
Construction in progress	41,958	952,785		994,743
Total nondepreciable capital assets	<u>79,034</u>	<u>952,785</u>		<u>1,031,819</u>
Depreciable capital assets				
Equipment	3,425,753	258,937		3,684,690
Buildings	56,762,535			56,762,535
Improvements other than buildings	14,691,731	21,215		14,712,946
Conveyance systems	34,930,118	152,926		35,083,044
Total depreciable capital assets	<u>109,810,137</u>	<u>433,078</u>		<u>110,243,215</u>
Less accumulated depreciation				
Equipment	(2,647,974)	(131,793)		(2,779,767)
Buildings	(21,927,817)	(1,359,440)		(23,287,257)
Improvements other than buildings	(5,643,773)	(657,696)		(6,301,469)
Conveyance systems	(18,317,606)	(738,009)		(19,055,615)
Total accumulated depreciation	<u>(48,537,170)</u>	<u>(2,886,938)</u>		<u>(51,424,108)</u>
Net depreciable capital assets	<u>61,272,967</u>	<u>(2,453,860)</u>		<u>58,819,107</u>
Net capital assets	<u>\$ 61,352,001</u>	<u>\$ (1,501,075)</u>	<u>\$ -</u>	<u>\$ 59,850,926</u>

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

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

**CITY OF BRAWLEY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**DEBT ADMINISTRATION**

The City issued no new bonded debt in fiscal year 2020. The City made all scheduled repayments of existing debt. The City's debt issues are discussed in detail in Notes of the financial statements. The City's debt balances as of June 30 were as follows:

Table 8  
**LONG-TERM LIABILITIES**

	Balance as of June 30, 2019	Additions	Reductions	Balance as of June 30, 2020	Due Within One Year
<b>Governmental Activities:</b>					
Pension obligation bonds	\$ 15,305,000	\$ -	\$ (965,000)	\$ 14,340,000	\$ 1,080,000
Capital leases		64,118	\$ (2,311)	61,807	12,823
Net pension liability	6,262,918	744,916	(520,647)	6,487,187	
Total OPEB liability	4,069,505	1,235,383	(426,111)	4,878,777	
Compensated absences	886,054	153,396	(219,936)	819,514	204,879
Total long-term liabilities	<u>\$ 26,523,477</u>	<u>\$ 2,197,813</u>	<u>\$ (2,134,005)</u>	<u>\$ 26,587,285</u>	<u>\$ 1,297,702</u>
	Balance as of June 30, 2019	Additions	Reductions	Balance as of June 30, 2020	Due Within One Year
<b>Business-type Activities:</b>					
<i>Water Fund</i>					
Debt from direct borrowings and direct placements:					
Contracts payable #1	\$ 1,977,935	\$ -	\$ (791,174)	\$ 1,186,761	\$ 791,174
Deferred gain	52,388		(36,508)	15,880	15,880
Unamortized discount	(90,453)		62,891	(27,562)	(27,562)
Contracts payable #2	619,127		(206,377)	412,750	206,376
Deferred gain	22,655		(13,503)	9,152	7,611
Unamortized discount	(22,655)		13,503	(9,152)	(7,611)
MFC Note payable	1,467,663		(250,715)	1,216,948	257,657
Unamortized premium	5,276		(1,497)	3,779	1,269
<i>Wastewater Fund</i>					
Debt from direct borrowings and direct placements:					
Contracts payable	553,949		(179,895)	374,054	184,609
CSWRCB Loan	9,851,767		(713,333)	9,138,434	720,467
Capital Leases		100,364	(3,569)	96,795	20,073
Net pension liability	844,117	300,007	(233,562)	910,562	
Total OPEB liability	380,328	118,770	(43,137)	455,961	
Compensated absences	193,163	48,922	(56,098)	185,987	46,497
Total long-term liabilities	<u>\$ 19,826,502</u>	<u>\$ 568,063</u>	<u>\$ (2,452,974)</u>	<u>\$ 13,970,349</u>	<u>\$ 2,216,440</u>

**CITY OF BRAWLEY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**ECONOMIC CONDITION, OUTLOOK AND ACTIVITY**

Prior to the COVID-19 pandemic the City continued to see a slowly improving economy along with a gradual increase in economic activity throughout the community. Positive change in the economy is beginning to reach the southeastern corner of the State in which Brawley is located. Property assessment remains stable and construction activity is seeing an uptick with renewed interest in new home building. Brawley's sales tax revenue continues to increase year to year, and in spite of the pandemic the City is estimating sales tax revenue to at least remain at the current level for the next year.

The Utility Users Tax is set to sunset in May of 2022. In the upcoming year, the City plans to bring to its citizens a ballot measure to address this expiring source of revenue. The City continues to maintain a fiscally responsible and conservative approach to its fiscal management and will continue to monitor the economic activity of the City.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

**This page intentionally left blank**

**CITY OF BRAWLEY**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 26,179,951	\$ 24,937,854	\$ 51,117,805
Restricted cash and investments with fiscal agent	100,638	246,933	347,571
Accounts receivable	160,103	1,330,068	1,490,171
Interest receivable	599,193	30,649	629,842
Loans receivable	7,100,747		7,100,747
Due from other governments	1,250,877	1,710	1,252,587
Prepaid expenses	9,000		9,000
Capital assets not being depreciated	8,378,677	1,031,820	9,410,497
Capital assets, net of accumulated depreciation	23,732,584	58,819,106	82,551,690
<b>Total assets</b>	<b>67,511,770</b>	<b>86,398,140</b>	<b>153,909,910</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related	7,197,250	881,597	8,078,847
OPEB related	591,380	55,269	646,649
<b>Total deferred outflows of resources</b>	<b>7,788,630</b>	<b>936,866</b>	<b>8,725,496</b>
<b>LIABILITIES</b>			
Accounts payable	542,458	888,394	1,430,852
Accrued liabilities	371,294	66,410	437,704
Accrued interest payable	175,829	58,143	233,972
Deposits payable	565,315	583,150	1,148,465
Unearned revenue	8,498,449		8,498,449
Noncurrent liabilities:			
Due within one year	1,297,702	2,216,440	3,514,142
Due in more than one year	25,289,583	11,753,909	37,043,492
<b>Total liabilities</b>	<b>36,740,630</b>	<b>15,566,446</b>	<b>52,307,076</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related	7,393,648	949,845	8,343,493
OPEB related	287,164	26,838	314,002
<b>Total deferred inflows of resources</b>	<b>7,680,812</b>	<b>976,683</b>	<b>8,657,495</b>
<b>NET POSITION</b>			
Net investment in capital assets	32,111,261	47,434,881	79,546,142
Restricted for:			
Public safety	695,442		695,442
Community development	13,664,446		13,664,446
Culture and leisure	58,825		58,825
Debt service		197,157	197,157
Streets and roads	7,739,013		7,739,013
Unrestricted	(23,390,029)	23,159,839	(230,190)
<b>Total net position</b>	<b>\$ 30,878,958</b>	<b>\$ 70,791,877</b>	<b>\$ 101,670,835</b>

See Notes to Basic Financial Statements

**CITY OF BRAWLEY**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental Activities:</b>				
General government	\$ 3,191,899	\$ 773,504	\$ 166,429	\$ -
Public safety	9,088,064	245,857	841,680	
Culture and leisure	2,054,319	73,746	170,151	
Community development	1,281,866	314,042	354,218	
Transportation	2,352,653		643,216	4,025,628
Interest on long-term debt	517,632			
<b>Total governmental activities</b>	<b>18,486,433</b>	<b>1,407,149</b>	<b>2,175,694</b>	<b>4,025,628</b>
<b>Business-type Activities:</b>				
Water	6,201,896	7,515,661		
Wastewater	4,242,964	6,320,464		
Solid Waste	1,517,468	1,523,676		
Airport	573,715	127,693		10,000
<b>Total business-type activities</b>	<b>12,536,043</b>	<b>15,487,494</b>		<b>10,000</b>
<b>Total primary government</b>	<b>\$ 31,022,476</b>	<b>\$ 16,894,643</b>	<b>\$ 2,175,694</b>	<b>\$ 4,035,628</b>

**General Revenues:**

Taxes:

- Property taxes
- Sales and use
- Utility users taxes
- Transient lodging taxes
- Franchise taxes
- Business license taxes
- Licenses and permits
- Fines and forfeitures
- Miscellaneous
- Use of money and property

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of fiscal year

Prior period adjustments

Net position - beginning of fiscal year, restated

Net position - end of fiscal year

See Notes to Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,251,966)	\$ -	\$ (2,251,966)
(8,000,527)		(8,000,527)
(1,810,422)		(1,810,422)
(613,606)		(613,606)
2,316,191		2,316,191
(517,632)		(517,632)
<u>(10,877,962)</u>		<u>(10,877,962)</u>
	1,313,765	1,313,765
	2,077,500	2,077,500
	6,208	6,208
	(436,022)	(436,022)
	<u>2,961,451</u>	<u>2,961,451</u>
<u>(10,877,962)</u>	<u>2,961,451</u>	<u>(7,916,511)</u>
5,215,188		5,215,188
3,124,017		3,124,017
1,997,173		1,997,173
412,288		412,288
651,424		651,424
50,178		50,178
10,535		10,535
25,502		25,502
262,352		262,352
753,686	645,864	1,399,550
129,990	(129,990)	
<u>12,632,333</u>	<u>515,874</u>	<u>13,148,207</u>
<u>1,754,371</u>	<u>3,477,325</u>	<u>5,231,696</u>
29,299,792	67,384,590	96,684,382
(175,205)	(70,038)	(245,243)
<u>29,124,587</u>	<u>67,314,552</u>	<u>96,439,139</u>
<u>\$ 30,878,958</u>	<u>\$ 70,791,877</u>	<u>\$ 101,670,835</u>

**CITY OF BRAWLEY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2020**

	Special Revenue Funds		
	General	Economic & Community Development	SB 325
<b>ASSETS</b>			
Cash and investments	\$ 1,017,008	\$ 447,588	\$ 8,914,956
Restricted cash and investments with fiscal agent		4,493	
Interest receivable	692	578,602	6,188
Accounts receivable	86,324		
Due from other governments	855,521	6,111	
Due from other funds	739,629		
Loans receivable		7,084,025	
Prepaid expenditures	9,000		
<b>Total assets</b>	<b>\$ 2,708,174</b>	<b>\$ 8,120,819</b>	<b>\$ 8,921,144</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 312,929	\$ -	\$ -
Accrued liabilities	359,096		
Deposits payable	238,913		326,342
Unearned revenue			7,858,315
Due to other funds			
<b>Total liabilities</b>	<b>910,938</b>		<b>8,184,657</b>
Deferred inflows of resources			
Unavailable revenue		578,115	
<b>Total deferred inflows of resources</b>		<b>578,115</b>	
Fund balances:			
Restricted for:			
Streets and roads			736,487
Public safety			
Community development		7,542,704	
CFD improvements and maintenance			
Library	58,825		
Unassigned	1,738,411		
<b>Total fund balances</b>	<b>1,797,236</b>	<b>7,542,704</b>	<b>736,487</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,708,174</b>	<b>\$ 8,120,819</b>	<b>\$ 8,921,144</b>

See Notes to Basic Financial Statements



<u>Capital Project Fund</u>		
<u>Park Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 14,058,946	\$ 24,438,498
	96,145	100,638
	11,701	597,183
		86,324
	389,245	1,250,877
		739,629
		7,084,025
		9,000
<u>\$ -</u>	<u>\$ 14,556,037</u>	<u>\$ 34,306,174</u>
\$ 128,257	\$ 83,995	\$ 525,181
	12,198	371,294
60		565,315
	640,134	8,498,449
<u>205,155</u>		<u>205,155</u>
<u>333,472</u>	<u>736,327</u>	<u>10,165,394</u>
		578,115
		578,115
	7,002,526	7,739,013
	695,442	695,442
	5,105,649	12,648,353
	1,016,093	1,016,093
		58,825
<u>(333,472)</u>		<u>1,404,939</u>
<u>(333,472)</u>	<u>13,819,710</u>	<u>23,562,665</u>
<u>\$ -</u>	<u>\$ 14,556,037</u>	<u>\$ 34,306,174</u>

**This page intentionally left blank**

**CITY OF BRAWLEY**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2020**

---

Fund balances of governmental funds	\$ 23,562,665
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of accumulated depreciation have not been included as financial resources in the governmental funds. Capital assets of the internal service fund are included below (\$1,530,225)	30,581,036
In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.	
Pension related deferred outflows	7,197,250
OPEB related deferred outflows	591,380
Pension related deferred inflows	(7,393,648)
OPEB related deferred inflows	(287,164)
Long-term liabilities have not been included in the governmental funds.	
Long-term debt	(14,401,807)
Total OPEB liability	(4,878,777)
Net pension liability	(6,487,187)
Compensated absences	(819,514)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of net position, it is recognized in the period that it is incurred.	(175,829)
Internal service funds are used by management to charge the costs of certain activities, such as maintenance and risk management, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.	2,738,659
In governmental funds, certain receivables are not available to pay for current period expenditures and, therefore, are offset by unavailable revenue or not recognized as receivables in the fund statements	<u>651,894</u>
Net position of governmental activities	<u><u>\$ 30,878,958</u></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, 2020**

	General	Special Revenue Funds	
		Economic & Community Development	SB 325
<b>REVENUES</b>			
Taxes:			
Property	\$ 5,013,603	\$ -	\$ -
Sales and use	3,124,017		
Utility users	1,997,173		
Transient lodging	412,288		
Franchise	651,424		
Business license	50,178		
Licenses and permits	10,535		
Fines and forfeitures	25,502		
Use of money and property	53,260	72,572	176,492
Intergovernmental	565,892	162,697	746,711
Charges for services	3,867,499	303	
Miscellaneous	262,352		
Total revenues	16,033,723	235,572	923,203
<b>EXPENDITURES</b>			
Current:			
General government	2,490,183		
Public safety	8,793,097		
Culture and leisure	1,928,536		
Community development	1,138,173	3,731	
Transportation			72,099
Capital outlay			667,901
Debt service:			
Principal	965,000		
Interest	517,632		
Total expenditures	15,832,621	3,731	740,000
Excess of revenues over (under) expenditures	201,102	231,841	183,203
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	671,907		
Transfers out			
Total other financing sources (uses)	671,907		
Net change in fund balances	873,009	231,841	183,203
Fund Balances - July 1, 2019	981,880	7,310,863	553,284
Prior Period Adjustments	(57,653)		
Fund Balances - July 1, 2019, Restated	924,227	7,310,863	553,284
Fund Balances - June 30, 2020	\$ 1,797,236	\$ 7,542,704	\$ 736,487

See Notes to Basic Financial Statements

<u>Capital Projects Fund</u>		
<u>Park Projects</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ -	\$ 201,585	\$ 5,215,188
		3,124,017
		1,997,173
		412,288
		651,424
		50,178
		10,535
		25,502
	235,828	538,152
	4,652,243	6,127,543
	726,021	4,593,823
		262,352
	<u>5,815,677</u>	<u>23,008,175</u>
		2,490,183
	293,984	9,087,081
		1,928,536
	43,850	1,185,754
	1,528,803	1,600,902
	2,280,038	2,947,939
		965,000
		517,632
	<u>4,146,675</u>	<u>20,723,027</u>
	<u>1,669,002</u>	<u>2,285,148</u>
	1,659,749	2,331,656
	<u>(2,197,297)</u>	<u>(2,197,297)</u>
	<u>(537,548)</u>	<u>134,359</u>
	1,131,454	2,419,507
<u>(333,472)</u>	<u>12,805,808</u>	<u>21,318,363</u>
	(117,552)	(175,205)
<u>(333,472)</u>	<u>12,688,256</u>	<u>21,143,158</u>
<u>\$ (333,472)</u>	<u>\$ 13,819,710</u>	<u>\$ 23,562,665</u>

**This page intentionally left blank**

**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, 2020**

---

Net change in fund balances - total governmental funds	\$ 2,419,507
Amounts reported for governmental activities in the statement of activities differ because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeds depreciation in the current period.	836,044
Certain revenues are reported in the government-wide statements but not in the governmental funds because they are not available to pay for current expenditures. This is the net change in associated receivables for the current period.	73,779
Interest accrued on certain notes receivable are not reported as revenue on the governmental funds as they do not provide the City with current financial resources. When the interest is collected, the amounts will be reflected on revenue. This is current year change in unavailable revenue.	11,149
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds.	
Debt issuance	(61,807)
Repayment of bond principal	965,000
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental funds. This is the net change in compensated absences for the current period.	60,229
In governmental funds, pension and OPEB costs are recognized when employer contributions are made. In the statement of activities, pension and OPEB costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension and OPEB costs and actual employer contributions including supplemental contributions are as follows:	
Pension related costs and contributions	(2,421,699)
OPEB related costs and contributions	(274,372)
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>146,541</u>
Change in net position of governmental activities	<u>\$ 1,754,371</u>

See Notes to Basic Financial Statements

**CITY OF BRAWLEY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2020

	Business-type Activities Enterprise Funds	
	Water	Wastewater
<b>ASSETS</b>		
Current Assets:		
Cash and investments	\$ 7,242,948	\$ 17,279,670
Accounts receivable, net	1,062,068	184,157
Interest receivable	10,283	19,654
Due from other governments	1,710	
Loans receivable		
Total current assets	<u>8,317,009</u>	<u>17,483,481</u>
Noncurrent Assets:		
Restricted cash and investments with fiscal agents		246,933
Advances to other funds		914,965
Capital assets not being depreciated	959,289	70,581
Capital assets, net of accumulated depreciation	<u>21,392,121</u>	<u>31,313,840</u>
Total noncurrent assets	<u>22,351,410</u>	<u>32,546,319</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related	515,702	365,895
OPEB related	33,161	22,108
Total Deferred Outflows of Resources	<u>548,863</u>	<u>388,003</u>
Total assets and deferred outflows of resources	<u>31,217,282</u>	<u>50,417,803</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	723,356	159,217
Accrued liabilities	46,666	19,744
Interest payable	8,367	49,776
Deposits payable	571,578	6,930
Due to other funds		
Current portion of long term debt	<u>1,280,708</u>	<u>935,732</u>
Total current liabilities	<u>2,630,675</u>	<u>1,171,399</u>
Noncurrent liabilities:		
Compensated absences	107,743	31,747
Contracts payable, net of deferred gain and unamortized discount	601,961	189,445
Capital leases		76,722
Note payable, net of unamortized premium	961,801	
Advances from other funds	914,965	
Net Pension Liability	529,029	381,533
Total OPEB Liability	273,577	182,384
Bonds payable		<u>8,417,967</u>
Total noncurrent liabilities	<u>3,389,076</u>	<u>9,279,798</u>
Total liabilities	<u>6,019,751</u>	<u>10,451,197</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related	551,852	397,993
OPEB related	16,103	10,735
Total Deferred Inflows of Resources	<u>567,955</u>	<u>408,728</u>
Total liabilities and deferred inflows of resources	<u>6,587,706</u>	<u>10,859,925</u>
<b>NET POSITION</b>		
Net investment in capital assets	19,538,675	21,781,111
Restricted for debt service		197,157
Unrestricted	<u>5,090,901</u>	<u>17,579,610</u>
Total net position	<u>\$ 24,629,576</u>	<u>\$ 39,557,878</u>

See Notes to Basic Financial Statements



Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
Solid Waste	Nonmajor Airport	Totals	
\$ -	\$ 415,236	\$ 24,937,854	\$ 1,741,453
63,879	19,964	1,330,068	
242	470	30,649	2,010
		1,710	
			16,722
<u>64,121</u>	<u>435,670</u>	<u>26,300,281</u>	<u>1,760,185</u>
		246,933	
		914,965	
	1,950	1,031,820	
	<u>6,113,145</u>	<u>58,819,106</u>	<u>1,530,225</u>
	<u>6,115,095</u>	<u>61,012,824</u>	<u>1,530,225</u>
		881,597	
		55,269	
		<u>936,866</u>	
<u>64,121</u>	<u>6,550,765</u>	<u>88,249,971</u>	<u>3,290,410</u>
	5,821	888,394	17,277
		66,410	
		58,143	
	4,642	583,150	
			534,474
		<u>2,216,440</u>	
	<u>10,463</u>	<u>3,812,537</u>	<u>551,751</u>
		139,490	
		791,406	
		76,722	
		961,801	
		914,965	
		910,562	
		455,961	
		<u>8,417,967</u>	
		<u>12,668,874</u>	
	<u>10,463</u>	<u>16,481,411</u>	<u>551,751</u>
		949,845	
		26,838	
		<u>976,683</u>	
	<u>10,463</u>	<u>17,458,094</u>	<u>551,751</u>
	6,115,095	47,434,881	1,530,225
		197,157	
<u>64,121</u>	<u>425,207</u>	<u>23,159,839</u>	<u>1,208,434</u>
<u>\$ 64,121</u>	<u>\$ 6,540,302</u>	<u>\$ 70,791,877</u>	<u>\$ 2,738,659</u>

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

For the Fiscal Year Ended June 30, 2020

	Business-Type Activities Enterprise Funds	
	Water	Wastewater
Operating Revenues:		
Charges for services	\$ 7,515,661	\$ 6,320,464
Operating Expenses:		
Salary and benefits	1,536,211	840,981
Administration	326,600	388,200
Supplies and services	2,868,885	1,939,361
Depreciation and amortization	1,406,472	969,278
Total operating expenses	6,138,168	4,137,820
Operating income (loss)	1,377,493	2,182,644
Non-Operating Revenues (Expenses):		
Use of money and property	230,526	402,063
Intergovernmental revenue		
Interest expense and fiscal charges	(63,728)	(105,144)
Total non-operating revenues (expenses)	166,798	296,919
Income (Loss) before transfers	1,544,291	2,479,563
Transfers:		
Transfers out	(80,632)	(48,763)
Total Transfers	(80,632)	(48,763)
Changes in net position	1,463,659	2,430,800
Total Net Position - beginning	23,165,917	37,197,116
Prior Period Adjustments		(70,038)
Total Net Position - beginning, restated	23,165,917	37,127,078
Total Net Position - ending	\$ 24,629,576	\$ 39,557,878

See Notes to Basic Financial Statements

Business-Type Activities Enterprise Funds		Governmental Activities Internal Service Funds	
Solid Waste	Nonmajor Airport	Totals	
\$ 1,523,676	\$ 127,693	\$ 15,487,494	\$ 3,462,479
	7,437	2,384,629	75,112
	5,200	720,000	
1,517,468	49,890	6,375,604	3,284,379
	511,188	2,886,938	156,463
1,517,468	573,715	12,367,171	3,515,954
6,208	(446,022)	3,120,323	(53,475)
4,147	9,128	645,864	204,385
	10,000	10,000	
		(168,872)	
4,147	19,128	486,992	204,385
10,355	(426,894)	3,607,315	150,910
	(595)	(129,990)	(4,369)
	(595)	(129,990)	(4,369)
10,355	(427,489)	3,477,325	146,541
53,766	6,967,791	67,384,590	2,592,118
		(70,038)	
53,766	6,967,791	67,314,552	2,592,118
\$ 64,121	\$ 6,540,302	\$ 70,791,877	\$ 2,738,659

**CITY OF BRAWLEY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2020

	Business-Type Activities Enterprise Funds	
	Water	Wastewater
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and users	\$ 7,446,889	\$ 6,305,942
Cash payments to suppliers for goods and services	(2,625,178)	(2,302,676)
Cash payments for employees and benefit programs	(1,298,807)	(729,591)
Net cash provided (used) by operating activities	<u>3,522,904</u>	<u>3,273,675</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfers	(80,632)	(48,763)
Interfund borrowing (repayment)		
Cash received (payments) from (to) other governments		
Loan repayment		
Net cash provided (used) by non-capital financing activities	<u>(80,632)</u>	<u>(48,763)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Cash received (payments) from (to) other governments	(804)	
Purchase of capital assets	(1,139,147)	(228,017)
Loan repayment	(99,546)	99,546
Debt proceeds		100,364
Principal paid on debt	(1,248,264)	(896,798)
Interest paid on debt and fiscal charges	(41,410)	(104,516)
Net cash provided (used) by capital and related financing activities	<u>(2,529,171)</u>	<u>(1,029,421)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Use of money and property	<u>237,920</u>	<u>415,599</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,151,021	2,611,090
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	<u>6,091,927</u>	<u>14,915,513</u>
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	<u>\$ 7,242,948</u>	<u>\$ 17,526,603</u>
Reconciliation to Statement of Net Position:		
Cash and investments	\$ 7,242,948	\$ 17,279,670
Restricted cash and investments with fiscal agents		<u>246,933</u>
CASH AND CASH EQUIVALENTS	<u>\$ 7,242,948</u>	<u>\$ 17,526,603</u>

See Notes to Basic Financial Statements

Business-Type Activities Enterprise Funds		Governmental Activities Internal Service Fund	
Solid Waste	Nonmajor Airport	Totals	
\$ 1,510,795	\$ 129,983	\$ 15,393,609	\$ 3,462,479
(1,616,745)	(55,346)	(6,599,945)	(3,351,627)
	(7,437)	(2,035,835)	(81,423)
(105,950)	67,200	6,757,829	29,429
	(595)	(129,990)	(4,369)
			145,768
			78
			56,871
	(595)	(129,990)	198,348
	10,000	9,196	
	(14,567)	(1,381,731)	(3,741)
		100,364	
		(2,145,062)	
		(145,926)	
	(4,567)	(3,563,159)	(3,741)
4,533	9,273	667,325	205,495
(101,417)	71,311	3,732,005	429,531
101,417	343,925	21,452,782	1,311,922
\$ -	\$ 415,236	\$ 25,184,787	\$ 1,741,453
\$ -	\$ 415,236	\$ 24,937,854	\$ 1,741,453
		246,933	
\$ -	\$ 415,236	\$ 25,184,787	\$ 1,741,453

(Continued)

**CITY OF BRAWLEY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2020

(Continued)

	Business-Type Activities Enterprise Funds	
	Water	Wastewater
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 1,377,493	\$ 2,182,644
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,406,472	969,278
(Increase) decrease in accounts receivable	(67,666)	(14,522)
Increase (decrease) in accounts payable	579,732	23,827
Increase (decrease) in compensated absences	16,717	(39,072)
Increase (decrease) net pension liability	195,876	141,264
Increase (decrease) total OPEB liability	15,386	10,256
Increase (decrease) in deposits payable	(1,106)	
Total adjustments	2,145,411	1,091,031
Net cash provided by (used by) operating activities	\$ 3,522,904	\$ 3,273,675

See Notes to Basic Financial Statements

Business-Type Activities Enterprise Funds		Governmental Activities Internal Service Fund	
Solid Waste	Nonmajor Airport	Totals	
\$ 6,208	\$ (446,022)	\$ 3,120,323	\$ (53,475)
	511,188	2,886,938	156,463
(12,881)	2,290	(92,779)	
(99,277)	(406)	503,876	(67,248)
		(22,355)	(6,311)
		337,140	
		25,642	
	150	(956)	
(112,158)	513,222	3,637,506	82,904
\$ (105,950)	\$ 67,200	\$ 6,757,829	\$ 29,429

**CITY OF BRAWLEY**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUND**  
**June 30, 2020**

---

	<b>Private Purpose Trust Fund RDA Successor Agency</b>
<b>ASSETS</b>	
Cash and investments	\$ 394,264
Interest receivable	287
Land held for resale	<u>1,081,003</u>
Total Assets	<u>1,475,554</u>
<b>LIABILITIES</b>	
Interest payable	31,444
Deposits payable	359
Long-term debt, due within one year	177,697
Long-term debt, due in more than one year	<u>3,848,152</u>
Total Liabilities	<u>4,057,652</u>
<b>NET POSITION (DEFICIT)</b>	
Unrestricted	<u>(2,582,098)</u>
Total Net Position (Deficit)	<u>\$ (2,582,098)</u>



**CITY OF BRAWLEY**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUND**  
**For the Fiscal Year Ended June 30, 2020**

---

	<b>Private Purpose Trust Fund</b>
	<b>RDA</b>
	<b>Successor Agency</b>
Additions:	
Tax increment	\$ 333,351
Use of money and property	5,685
	<hr/>
Total additions	339,036
	<hr/>
Deductions:	
Community development	3,070
Interest	129,828
Administrative expenses	25,000
	<hr/>
Total deductions	157,898
	<hr/>
Change in net position	181,138
Net Position (Deficit) - July 1, 2019	<hr/> (2,763,236)
Net Position (Deficit) - June 30, 2020	<hr/> <hr/> \$ (2,582,098)

See Notes to Basic Financial Statements

**This page intentionally left blank**

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

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

A. Financial Reporting Entity

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

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

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

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

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

**Brawley Public Improvement Corporation** – The Brawley Public Improvement Corporation was formed in October 1986 to facilitate the financing of the water and wastewater treatment facilities through the issuance of certificates of participation. The debt has since been defeased and, as such, any liability for those certificates of participation has been removed from the City of Brawley’s financial statements. The Brawley Public Improvement Corporation is reported within the primary government, however there are no balances and there has been no activity during fiscal year ended June 30, 2020.

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

**B. Basis of Presentation**

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

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

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

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

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

**C. Major Funds**

GASB Statement No. 34, defines major funds and requires that the City’s major governmental funds are identified and presented separately in the fund financial statements. All other governmental 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 of all fund types. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

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

**General Fund**

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

**Economic and Community Development Fund**

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

**SB 325 Special Revenue Fund**

This fund accounts for revenue received from the State under Article 8(a) of the Transportation Development Act (Section 99400(a) of the Public Utilities Code). Uses are restricted to local streets and roads. This fund also accounts for \$9,000,000 received (unearned revenue until spent) from the State of California for ongoing maintenance and repairs related to relinquished portions of streets and street lights.

**Park Projects Capital Projects Fund**

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

The City reported the following major proprietary funds:

**Water Fund**

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

**Wastewater Fund**

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

**Solid Waste Fund**

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

The City reported the following internal service funds:

**Internal Service Funds**

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

The City also reports the following fund:

**Private Purpose Trust Fund**

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

D. Basis of Accounting

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

**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 sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under 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.

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

**E. Cash and Cash Equivalents**

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

**F. Cash and Investments**

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

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

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

G. Revenue Recognition

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

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

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

H. Interfund Transactions

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

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

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

I. Property Tax

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

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

The 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 and have a useful life of more than 3 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their market value at the date of donation.

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

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

M. Compensated Absences

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

N. Self-insurance

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

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

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

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when paid.

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



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

P. Net Position and Fund Equity

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

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

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

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

Q. Use of Estimates

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

R. Fiscal Year

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

S. Use of Restricted Resources

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

T. Fund Balance

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

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

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

T. Fund Balance (Continued)

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

U. Pensions

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

V. Other Post-Employment Benefits (OPEB)

The total OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense of the City’s defined benefit OPEB plan of the CalPERS are measured on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

W. Deferred Outflows and Inflows of Resources

The City recognizes deferred outflows and inflows of resources in relation to unavailable revenues, pension, and OPEB. Deferred outflow and inflow of resources are defined as a consumption or resource of net position by the government that is applicable to a future report period. Pursuant to GASB Statements 68 and 71, the City recognizes deferred outflows/inflows of resources related to pensions. Pursuant to GASB Statement 75, the City recognizes deferred outflows/inflows of resources related to OPEB.

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

A. Budgets and Budgetary Accounting

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

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

B. Deficit Fund Balances/Net Position

At June 30, 2020, the following funds had an accumulated deficit:

<u>Fund</u>	<u>Amount</u>
Parks Projects Capital Projects Fund	\$ 333,472
<u>Internal Service Fund:</u>	
Risk Management Fund	518,259

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

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, the following funds had excess of expenditures over appropriations:

Fund	Final Appropriation	Expenditures	Excess
General Fund			
Debt service:			
Principal	\$ -	\$ 965,000	\$ 965,000
Interest		517,632	517,632

Excess of current expenditures over appropriation in the General Fund is due to the fact that proceeds from the issuance of debt were utilized to make additional contributions towards the pension plan and allocated across the appropriate functions. These contributions were not budgeted. In addition, the interest payment on said debt issuance was also not budgeted.

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 51,117,812
Restricted cash and investments with fiscal agent	347,564
Fiduciary Fund:	
Cash and investments	394,264
Total cash and investments, Statement of Net Position	\$ 51,859,640

Cash and investments as of June 30, 2020 consist of the following:

Cash on hand	\$ 4,180
Deposits with financial institutions	17,700,412
Investments	34,155,048
Total cash and investments	\$ 51,859,640

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.

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**A. Investments Authorized by the California Government Code and the City’s Investment Policy (Continued)**

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Government Bonds	5 years	80%	Less than 80%
U.S. Treasury Obligations	5 years	80%	Less than 80%
U.S. Government Agency Securities	5 years	80%	Less than 80%
Banker's Acceptances	180 days	40%	30%
Commercial Paper, Prime Quality	270 days	25%	10%
Certificates of Deposit	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	\$ 65 Million

**B. Investments Authorized by Debt Agreements**

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Mortgage-backed Securities	3 years	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	None	None	None
Certificates of Deposit	5 years	None	None
Negotiable Certificates of Deposit	None	None	None
Investment Agreements	None	None	None
Repurchase Agreements	30 days	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

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

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

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

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**C. Disclosures Relating to Interest Rate Risk (Continued)**

<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>
Local Agency Investment Fund (LAIF)	\$ 15,415,927	\$ 15,415,927	\$ -	\$ -
Certificates of Deposit	16,337,535	6,871,140	2,530,589	6,935,806
US Government Agency Securities	2,154,653			2,154,653
Held by Bond Trustees:				
Money Market Mutual Funds	246,933	246,933		
	<u>\$ 34,155,048</u>	<u>\$ 22,534,000</u>	<u>\$ 2,530,589</u>	<u>\$ 9,090,459</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.

**E. Disclosures Relating to Credit Risk**

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

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Fiscal Year End</u>		
			<u>AA</u>	<u>A</u>	<u>Not Rated</u>
Local Agency Investment Pool (LAIF)	\$ 15,415,927	N/A	\$ -	\$ -	\$ 15,415,927
Certificates of Deposit	16,337,535	N/A			16,337,535
US Government Agency Securities	2,154,653	N/A	1,157,903	996,750	
Held by Bond Trustees:					
Money Market Mutual Funds	246,933	N/A			246,933
<b>Total</b>	<u>\$ 34,155,048</u>		<u>\$ 1,157,903</u>	<u>\$ 996,750</u>	<u>\$ 32,000,395</u>

**F. Concentration of Credit Risk**

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

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

As of June 30, 2020, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California and operates in accordance with appropriate state laws and regulations. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The reported value of the pool is the same as the fair value of the pool shares. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Deposits and withdrawals are made on the basis of \$1 and not fair value.

Fair Value Measurements

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

	Total	FMV Measurement Level 2
<u>Pooled investments by fair value hierarchy</u>		
Investments subject to fair value hierarchy:		
Negotiable Certificates of Deposit	\$ 16,337,535	\$ 16,337,535
Federal Agency Securities	2,154,653	2,154,653
Total Investments measured at fair value hierarchy	18,492,188	\$ 18,492,188
Investments measured using uncategorized inputs:		
State Investment Pool (LAIF)	15,415,927	
Total investments not subject at fair value hierarchy	15,415,927	
Total pooled investments	33,908,115	
<u>Investments with fiscal agent not subject to fair value level</u>		
Money Market Mutual Funds	246,933	
Total investments with fiscal agent not subject to fair value level	246,933	
Total investments	\$ 34,155,048	

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

A. Long-Term Advances

Advances to/from other funds are non-current interfund loans and are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriations and are not expendable available financial resources. Repayments for the following long-term advance will be made when excess net revenue is available. During the fiscal year ended June 30, 2010, the Water Fund had incurred a negative cash balance of \$1,605,839 due to rates not being updated based on cost of operations. In order to meet ongoing financial obligations, the Wastewater Fund advanced the Water Fund the necessary funds. The repayments for these advances began during the fiscal year ended June 30, 2010. The advance incurs interest at a rate of 1.5% per year, the LAIF return rate at the time of inception. The repayment of these advances are subordinate to all other outstanding debt and the cost of operations.

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

A. Long-Term Advances (Continued)

Receivable Fund	Payable Fund	Amount
Enterprise Fund: Wastewater Fund	Enterprise Fund: Water Fund	\$ 914,965

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, 2020.

Receivable Fund	Amount	Payable Fund	Amount
Major Governmental Fund: General Fund	\$ 739,629	Major Governmental Funds: Park Projects	\$ 205,155
		Internal Service Fund: Risk Management	534,474
		Total	<u>\$ 739,629</u>

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

C. Interfund Transfers

Transfers are utilized for funding for capital projects, lease payments or debt service, subsidies of various City operations, and re-allocations of special revenues. All inter-fund transfers between individual government funds have been eliminated on the government-wide statements. The following schedule briefly summarizes the City’s transfer activity for the fiscal year ended June 30, 2020:

Fund	Transfers-in	Transfers-out
Major Fund: General	\$ 671,907	\$ -
Nonmajor Governmental Funds:		
Gas Tax		270,143
Measure D		1,405,451
Law Enforcement		163,336
Assessment Districts		340,996
Streets Capital Projects	1,659,749	
Development Impact Capital Projects		17,371
Major Proprietary Funds:		
Water		80,632
Wastewater		48,763
Airport		595
Internal Service Fund: Maintenance		4,369
Totals	<u>\$ 2,331,656</u>	<u>\$ 2,331,656</u>

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5 – LOANS RECEIVABLE**

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

**Economic & Community Development Special Revenue Fund**

Employee loans, repayment through payroll deductions	\$ 16,722
Loan to Inferno 800. Secured by deed of trust.	27,894
HOME Investment Partnerships Program Loan to BESA, L.P., C/O Chelsea Investment Corporation. Annual payments are in the amount equal to 50% of the residual receipts from the apartment complex. Payments are due 90 days following the end of the calendar year with respect to the preceding year.	3,400,000
Deferred notes receivable. No installment payments of principal or interest are required until the loans reach their maturity or underlying property is sold. Secured by deeds of trust. Details of loans by program are listed below:	

Program Name	Balance
04-STBG-1952	733,618
04-STBG-1877	2,919
03-STBG-1804	232,797
STBG 2002-1688	195,661
01-STBG-1569	129,158
STBG-2000-1453	117,220
1997 Grant	113,947
STBG 1996	89,590
STBG 1994	59,178
STBG 1993	52,431
1991 Grant	54,352
1990 Grant	28,159
STBG 304	28,671
Community Development Grants	240,383
First Time Home Buyer	775,377
05-CalHOME-134	168,383
06-CalHOME-261	89,767
11-HOME-7664	178,141
15-HOME-10897	366,379
Total	<u>3,656,131</u>
Total Loans Receivable	<u><u>\$ 7,100,747</u></u>

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.

The City entered into a loan agreement with Allied Waste Services on September 1, 2015 for the acquisition of a street sweeper to be operated by Allied within the City limits. The City loaned Allied a total of \$306,491 for the acquisition of the sweeper to be repaid in 5 annual repayments of \$61,298. The City did not charge Allied interest on this loan and the loan is held by the Maintenance internal service fund. The loan has been paid off as of June 30, 2020.



**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance as of June 30, 2019	Additions	Deletions	Balance as of June 30, 2020
<b>Governmental Activities</b>				
Nondepreciable capital assets				
Land	\$ 966,706	\$ -	\$ -	\$ 966,706
Construction in progress	4,557,976	2,853,995		7,411,971
Total nondepreciable capital assets	<u>5,524,682</u>	<u>2,853,995</u>		<u>8,378,677</u>
Depreciable capital assets				
Equipment	10,183,247	75,510		10,258,757
Buildings	14,565,604			14,565,604
Improvements other than buildings	18,221,562	31,710		18,253,272
Infrastructure	20,314,587	23,000		20,337,587
Total depreciable capital assets	<u>63,285,000</u>	<u>130,220</u>		<u>63,415,220</u>
Less accumulated depreciation				
Equipment	(8,143,685)	(389,887)		(8,533,572)
Buildings	(5,166,641)	(460,461)		(5,627,102)
Improvements other than buildings	(8,315,551)	(710,603)		(9,026,154)
Infrastructure	(15,755,866)	(739,942)		(16,495,808)
Total accumulated depreciation	<u>(37,381,743)</u>	<u>(2,300,893)</u>		<u>(39,682,636)</u>
Net depreciable capital assets	<u>25,903,257</u>	<u>(2,170,673)</u>		<u>23,732,584</u>
Net capital assets	<u>\$ 31,427,939</u>	<u>\$ 683,322</u>	<u>\$ -</u>	<u>\$ 32,111,261</u>

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

General government	\$ 383,470
Public safety	383,470
Transportation	1,150,483
Parks and recreation	191,735
Community development	191,735
Total	<u>\$ 2,300,893</u>

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

	Balance as of June 30, 2019	Additions	Deletions	Balance as of June 30, 2020
<b>Business-type Activities</b>				
Nondepreciable capital assets				
Land	\$ 37,076	\$ -	\$ -	\$ 37,076
Construction in progress	41,958	952,785		994,743
Total nondepreciable capital assets	79,034	952,785		1,031,819
Depreciable capital assets				
Equipment	3,425,753	258,937		3,684,690
Buildings	56,762,535			56,762,535
Improvements other than buildings	14,691,731	21,215		14,712,946
Conveyance systems	34,930,118	152,926		35,083,044
Total depreciable capital assets	109,810,137	433,078		110,243,215
Less accumulated depreciation				
Equipment	(2,647,974)	(131,793)		(2,779,767)
Buildings	(21,927,817)	(1,359,440)		(23,287,257)
Improvements other than buildings	(5,643,773)	(657,696)		(6,301,469)
Conveyance systems	(18,317,606)	(738,009)		(19,055,615)
Total accumulated depreciation	(48,537,170)	(2,886,938)		(51,424,108)
Net depreciable capital assets	61,272,967	(2,453,860)		58,819,107
Net capital assets	\$ 61,352,001	\$ (1,501,075)	\$ -	\$ 59,850,926

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

Water	\$ 1,406,472
Wastewater	969,278
Airport	511,188
Total Depreciation Expense - Business-type Activities	\$ 2,886,938

**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, 2020:

	Balance as of June 30, 2019	Additions	Reductions	Balance as of June 30, 2020	Due Within One Year
<b>Governmental Activities:</b>					
Pension obligation bonds	\$ 15,305,000	\$ -	\$ (965,000)	\$ 14,340,000	\$ 1,080,000
Capital leases		64,118	\$ (2,311)	61,807	12,823
Net pension liability	6,262,918	744,916	(520,647)	6,487,187	
Total OPEB liability	4,069,505	1,235,383	(426,111)	4,878,777	
Compensated absences	886,054	153,396	(219,936)	819,514	204,879
Total long-term liabilities	\$ 26,523,477	\$ 2,197,813	\$ (2,134,005)	\$ 26,587,285	\$ 1,297,702

**Governmental Activities: Pension Obligation Bonds Series 2017**

On July 1, 2017, the City of Brawley issued Pension Obligation Bonds totalling \$16,310,000. The proceeds of the issuance was used to refinance the City’s outstanding “side fund” obligation to the California Public Employees’ Retirement System (CalPERS) with respect to certain of the City’s defined benefit pension plans for its public safety employees and miscellaneous employees. The bonds bear interest with rates between 1.75% and 4.12% with a final maturity date of September 1, 2032. The balance outstanding as of June 30, 2020 is \$14,340,000. Debt service requirements are as follows:

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

*Governmental Activities: Pension Obligation Bonds Series 2017 (Continued)*

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,080,000	\$ 495,165	\$ 1,575,165
2022	685,000	472,713	1,157,713
2023	750,000	452,092	1,202,092
2024	815,000	427,789	1,242,789
2025	885,000	399,578	1,284,578
2026-2030	5,655,000	1,456,774	7,111,774
2031-2033	4,470,000	277,000	4,747,000
	<u>\$ 14,340,000</u>	<u>\$ 3,981,111</u>	<u>\$ 18,321,111</u>

*Governmental Activities: Capital Leases*

During March of 2020, the City entered into lease agreements for the acquisition of several vehicles. Lease commitments on these leases, including interest, are as follows:

Fiscal Year Ending June 30,	Principal
2021	\$ 12,823
2022	12,823
2023	12,823
2024	12,823
2025	10,515
Total minimum lease payments	<u>\$ 61,807</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, 2020:

	Balance as of June 30, 2019	Additions	Reductions	Balance as of June 30, 2020	Due Within One Year
<b>Business-type Activities:</b>					
<i>Water Fund</i>					
Debt from direct borrowings and direct placements:					
Contracts payable #1	\$ 1,977,935	\$ -	\$ (791,174)	\$ 1,186,761	\$ 791,174
Deferred gain	52,388		(36,508)	15,880	15,880
Unamortized discount	(90,453)		62,891	(27,562)	(27,562)
Contracts payable #2	619,127		(206,377)	412,750	206,376
Deferred gain	22,655		(13,503)	9,152	7,611
Unamortized discount	(22,655)		13,503	(9,152)	(7,611)
MFC Note payable	1,467,663		(250,715)	1,216,948	257,657
Unamortized premium	5,276		(1,497)	3,779	1,269
<i>Wastewater Fund</i>					
Debt from direct borrowings and direct placements:					
Contracts payable	553,949		(179,895)	374,054	184,609
CSWRCB Loan	9,851,767		(713,333)	9,138,434	720,467
Capital Leases		100,364	(3,569)	96,795	20,073
Net pension liability	844,117	300,007	(233,562)	910,562	
Total OPEB liability	380,328	118,770	(43,137)	455,961	
Compensated absences	193,163	48,922	(56,098)	185,987	46,497
Total long-term liabilities	<u>\$ 19,826,502</u>	<u>\$ 568,063</u>	<u>\$ (2,452,974)</u>	<u>\$ 13,970,349</u>	<u>\$ 2,216,440</u>

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

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 as of June 30, 2020 is \$0.

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. In the event of a default the full outstanding balance the contract payable immediately becomes due and payable. The balance payable as of June 30, 2020, including deferred gain of \$15,880, and net of unamortized discount of \$27,562 is \$1,175,079. Debt service requirements to maturity on the contract, which includes imputed interest, are as follows:

Fiscal Year Ending June 30,	Principal	Imputed Interest	Total
2021	\$ 763,594	\$ 27,580	\$ 791,174
2022	395,587		395,587
	<u>\$ 1,159,181</u>	<u>\$ 27,580</u>	<u>\$ 1,186,761</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. The balance as of June 30, 2020 is \$0.

There is no difference between the reacquisition price and the carrying amount of the old debt. The balance payable as June 30, 2020, including deferred gain of \$9,152, and net of unamortized discount of \$9,152 is \$412,750. In the event of a default the full outstanding balance of the contract payable immediately becomes due and payable. Debt service requirements to maturity which includes imputed interest are as follows:

Fiscal Year Ending June 30,	Principal	Imputed Interest	Total
2021	\$ 198,764	\$ 7,612	\$ 206,376
2022	204,835	1,539	206,374
	<u>\$ 403,599</u>	<u>\$ 9,151</u>	<u>\$ 412,750</u>

*Water Enterprise Fund: Direct Borrowings and Placements of Debt - MFC Note Payable*

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 257,657	\$ 31,707	\$ 289,364
2022	264,791	24,572	289,363
2023	272,123	17,241	289,364
2024	279,658	9,706	289,364
2025	142,719	1,962	144,681
	<u>\$ 1,216,948</u>	<u>\$ 85,188</u>	<u>\$ 1,302,136</u>

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

*Wastewater Enterprise Fund: Direct Borrowings and Placements of Debt - Contracts Payable*

As of June 30, 2011, the City has received advances totaling \$2,759,775 from the California Infrastructure and Economic Development Bank (CIEDB) and pledged the City’s Wastewater Fund as the specific revenue source for the repayment of the contract payable. The purpose is to help finance improvements to the wastewater system. The balance payable as of June 30, 2020 is \$374,054. In the event of a default the full outstanding balance of the contract payable immediately becomes due and payable. Debt service requirements to maturity on the contract are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 184,609	\$ 7,382	\$ 191,991
2022	189,446	2,482	191,928
	<u>\$ 374,055</u>	<u>\$ 9,864</u>	<u>\$ 383,919</u>

*Wastewater Enterprise Fund: Direct Borrowings and Placements of Debt - California State Water Resource Control Board Loan*

The City entered into a project finance agreement with the California State Water Resource Control Board (Water Control Board). Through the use of ARRA funds, the Water Control Board provided funding assistance for the rehabilitation and upgrade of the wastewater treatment plant. The City must repay the project funds at an interest rate of 1% per annum. The term of the agreement is from the fiscal year ended June 30, 2013, to the fiscal year ended June 30, 2032. A portion of the loan totaling \$10,000,000 was forgiven by the Water Control Board leaving an outstanding balance of \$9,138,434 at June 30, 2020. In the event of a default the full outstanding balance of the loan immediately becomes due and payable. Annual debt service requirements for the CSWRCB Loan are shown below:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 720,467	\$ 91,384	\$ 811,851
2022	727,672	84,179	811,851
2023	734,948	76,903	811,851
2024	742,297	69,553	811,850
2025	749,720	62,131	811,851
2026-2030	3,862,570	196,684	4,059,254
2031-2032	1,600,760	24,057	1,624,817
	<u>\$ 9,138,434</u>	<u>\$ 604,891</u>	<u>\$ 9,743,325</u>

*Wastewater Enterprise Fund: Capital Leases*

During March of 2020, the Wastewater fund into lease agreements for the acquisition of several vehicles. Lease commitments on these leases, including interest, are as follows:

Fiscal Year Ending June 30,	Principal
2021	\$ 20,073
2022	20,073
2023	20,073
2024	20,073
2025	16,503
Total minimum lease payments	<u>\$ 96,795</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, 2020, 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, 2020, 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.

Construction Commitments:

Various construction projects were in progress at June 30, 2020. Project costs are funded by various revenue sources and are paid out of the capital projects funds. Management asserts that the remaining commitments on open projects are not significant to the financial statements as of June 30, 2020.

Pending Litigation:

The City is a defendant in certain legal actions arising in the normal course of operations. Several notable cases and their evaluation by management and legal counsel are listed below. Management and legal counsel are not aware of any unasserted possible claims which are probable of assertion and which should be disclosed in accordance with SFAS No. 5.

*Rodriguez et al v. City of Brawley* - The City anticipates settling this matter with claimants. The amount of this settlement is undeterminable at this present time.

*Brawley Public Safety Employee Association et al v. City of Brawley* - The City is engaged in pre-litigation settlement negotiations with the claimant. The probability and amount of a settlement is undeterminable at this present time.

**NOTE 10 – JOINT VENTURES**

Local Transportation Authority:

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

On May 1, 2012 the LTA issued \$53,975,000 of sales tax revenue bonds (limited tax bonds) to fund certain transportation projects for the City and other members of the LTA. The amount made available to the City by this issuance was \$7,723,672. The LTA has pledged the City’s share of sales tax revenue as security for the amount. The amount received during the 2019-2020 fiscal year was \$1,096,269, which is net of the City’s share of debt service required on this bond issue. The City has no other liability for the debt. The balance outstanding at June 30, 2020 is \$5,600,000. Additional financial information on the LTA is available from the Imperial County Transportation Local Transportation Authority.

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 – JOINT VENTURES (CONTINUED)**

Imperial Valley Emergency Communications Authority:

The City is a participant, along with Imperial County and the other cities in the county, in the Imperial Valley Emergency Communication Authority (IVECA). IVECA is considered a joint venture without equity interest. The purpose of IVECA is to consolidate a communications center by equipping, maintaining, operating and staffing a single-site facility to provide emergency communications (call receiving and dispatching) for public safety and emergency services. It is also anticipated that IVECA will provide centralized dispatching services throughout Imperial County at some point in the future. The City’s contribution for the 2019-2020 fiscal year was \$81,050.

**NOTE 11 – PENSION PLAN**

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

**A. General Information about the Pension Plan**

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

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

The Plans’ provisions and benefits in effect at June 30, 2020, are summarized as follows:

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

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

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 – PENSION PLAN (CONTINUED)**

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

As of June 30, 2020, the City reported net pension liabilities for its proportionate share of the net position liability of the Plan as follows:

Proportionate Share of Net Pension Liability		
Misc. Plan	Safety Plan	Total
\$ 3,414,052	\$ 3,983,697	\$ 7,397,749

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

Proportion - June 30, 2018	0.07375%
Proportion - June 30, 2019	0.07219%
Change - Increase (Decrease)	<u>-0.00156%</u>

For the fiscal year ended June 30, 2020, the City recognized pension expense of \$951,338. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 977,419	\$ -
Differences between projected and actual contributions	6,197,340	(2,033,979)
Differences between expected and actual experience	497,220	(18,372)
Changes in assumptions	326,083	(89,575)
Net Difference between projected and actual earnings on plan investments		(114,491)
Changes in proportion	80,785	(6,087,076)
Total	<u>\$ 8,078,847</u>	<u>\$ (8,343,493)</u>

\$977,419 reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	Amount
2021	\$ (38,416)
2022	(703,672)
2023	(522,702)
2024	22,725
Total	<u>\$ (1,242,065)</u>



**NOTE 11 – PENSION PLAN (CONTINUED)**

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

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

*Actuarial Assumptions* - The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2018	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.30%-14.20% (1)	3.30%-14.20% (1)
Investment Rate of Return	7.50% (2)	7.50% (2)
Mortality	Derived using CalPERS’ Membership Data for all Funds	

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

*Discount Rate* - The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was

NOTE 11 – PENSION PLAN (CONTINUED)

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

calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Assumed Asset Allocation	Real Return Year 1-10(a)	Real Return Year 11+(b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

a) An expected inflation of 2% used for this period

b) An expected inflation of 2.92% used for this period

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

	Miscellaneous	Safety	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 9,370,905	\$ 10,668,491	\$ 20,039,396
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 3,414,052	\$ 3,983,697	\$ 7,397,749
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ (1,502,909)	\$ (1,496,786)	\$ (2,999,695)

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

**NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

Plan Description

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

Eligibility

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

Participants eligible for OPEB	Valuation Date <u>6/30/2019</u>
1. Active employees electing coverage	77
2. Active employees waiving coverage	52
3. Retirees electing coverage	28
4. Total	<u>157</u>

Total OPEB Liability

The following tables show the components of the City’s annual OPEB cost, the amount paid by the employer as benefits came due, and changes in the OPEB liability for fiscal year June 30, 2020. The City’s total OPEB liability of \$5,334,738 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Method and Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Discount rate	3.13%
Expected return on plan assets	N/A
Inflation rate	2.50%
Mortality	Based on assumptions for public Agency Miscellaneous and Police members published in the December 2017 CalPERS Experience Study.
Health care cost trend rate	6.4% for FY2020, gradually decreasing over several decades to an ultimate rate of 4.00% in FY2076 and later years.

**Discount Rate**

Per GASB guidance, the single rate that produces the same present value of expected benefit payments as (1) the expected long-term rate of return on plan assets during the period when projected assets are sufficient to pay future retiree benefits, and (2) the 20- year municipal bond rate after assets are projected to be exhausted. The Fidelity 20-Year Municipal GO AA Index is used because it meets the GASB requirements and is based on a large amount of municipal security data.

**NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

Change in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance for fiscal year ending 6/30/19 <sup>1</sup> (Measured at 6/30/18)	\$ 4,449,833
Changes for the fiscal year:	
Service cost	285,565
Interest	169,334
Actual experience <sup>3</sup>	383,528
Changes of assumptions	161,809
Employer contributions <sup>2</sup>	<u>(115,331)</u>
Net changes	<u>884,905</u>
Balance for fiscal year ended 6/30/20 <sup>1</sup> (Measured at 6/30/19)	\$ <u>5,334,738</u>

<sup>1</sup> The City has elected to use the GASB 75 “lookback” method where assets and liabilities are measured as of the prior fiscal year-end but applied to the current fiscal year.

<sup>2</sup> Benefit payments equal \$39,962 direct subsidy payments to retirees and \$75,369 estimated implicit subsidy costs incurred during the measure period ending June 30, 2019.

<sup>3</sup> Approximately \$259,000 of the increase is due to the change in premiums and assumed claims costs and \$124,000 is due to all other experience changes.

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

<u>Sensitivity of the Total OPEB Liability to changes in the Discount Rate</u>	
	<u>Total OPEB Liability</u>
1% decrease in Discount Rate (2.13%)	\$ 6,132,420
Current Discount Rate (3.13%)	\$ 5,334,738
1% increase in Discount Rate (4.13%)	\$ 4,682,669
<u>Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates</u>	
	<u>Total OPEB Liability</u>
1% decrease in Healthcare Cost Trend Rates	\$ 4,567,180
Current Healthcare Cost Trend Rates	\$ 5,334,738
1% increase in Healthcare Cost Trend Rates	\$ 6,309,280

**NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

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

For the fiscal year ended June 30, 2020, the City recognized OPEB expense of \$109,806. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Summary of Deferred Outflows/Inflows</u>	<u>Outflows</u>	<u>Inflows</u>
Change of assumptions	\$ 142,124	\$ 314,002
Difference between expected and actual experience	336,870	
Amounts paid subsequent to the measurement date	<u>167,655</u>	
 Total	 <u>\$ 646,649</u>	 <u>\$ 314,002</u>

\$167,655 reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2021.

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

<u>Fiscal Year ended</u>	<u>Future recognition</u>
2021	\$ 18,296
2022	18,296
2023	18,296
2024	18,296
2025	18,296
Thereafter	<u>73,512</u>
	<u>\$ 164,992</u>

**NOTE 13 – SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY**

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

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

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

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

- A. Long-term debt of the Successor Agency as of June 30, 2020, consisted of the following:

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 13 – SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)**

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due within one year
Tax Allocation Bonds	\$ 4,240,000	\$ -	\$ (175,000)	\$ 4,065,000	\$ 180,000
Unamortized premium	72,468		(4,028)	68,440	4,028
Deferred loss on refunding	(113,922)		6,331	(107,591)	(6,331)
<b>Totals</b>	<b>\$ 4,366,243</b>	<b>\$ -</b>	<b>\$ (172,697)</b>	<b>\$ 4,025,849</b>	<b>\$ 177,697</b>

2016 Tax Allocation Refunding Bonds Payable

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

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

The scheduled annual minimum debt service requirements at June 30, 2020 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$ 180,000	\$ 121,276	\$ 301,276
2022	195,000	112,876	307,876
2023	200,000	104,976	304,976
2024	205,000	96,875	301,875
2025	215,000	90,491	305,491
2026-2030	1,165,000	372,547	1,537,547
2031-2035	1,315,000	199,350	1,514,350
2036-2037	590,000	19,338	609,338
<b>Totals</b>	<b>\$ 4,065,000</b>	<b>\$ 1,117,729</b>	<b>\$ 5,182,729</b>

**NOTE 14 – PRIOR PERIOD ADJUSTMENTS**

Prior period adjustment of (\$57,653), (\$115,957), (\$70,038) and (\$1,595) were made in the General Fund, Law Enforcement Fund, Wastewater Fund and Assessment Districts fund respectively as well as the government-wide statement of activities due to an overstatement of cash in the prior fiscal year.

**NOTE 15 – SUBSEQUENT EVENTS**

Subsequent to year-end, the City may be negatively impacted by the effects of the worldwide coronavirus pandemic. The City is closely monitoring its operations, liquidity, and reserves and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the City’s financial position is not known.

**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, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property tax	\$ 4,626,038	\$ 4,626,038	\$ 5,013,603	\$ 387,565
Sales and use tax	2,596,403	2,596,403	3,124,017	527,614
Utility users	1,900,000	1,900,000	1,997,173	97,173
Transient lodging	401,600	401,600	412,288	10,688
Franchise	630,000	630,000	651,424	21,424
Business license	56,000	56,000	50,178	(5,822)
Licenses and permits	12,400	12,400	10,535	(1,865)
Fines and forfeitures	26,500	26,500	25,502	(998)
Use of money and property	20,000	20,000	53,260	33,260
Intergovernmental	426,773	426,773	565,892	139,119
Charges for services	3,933,032	3,933,032	3,867,499	(65,533)
Miscellaneous	231,686	231,686	262,352	30,666
Total revenues	14,860,432	14,860,432	16,033,723	1,173,291
<b>EXPENDITURES</b>				
Current:				
General government	2,562,782	2,562,782	2,490,183	72,599
Public safety	9,581,009	9,581,009	8,793,097	787,912
Culture and leisure	2,231,379	2,231,379	1,928,536	302,843
Community development	1,260,845	1,260,845	1,138,173	122,672
Debt service:				
Principal			965,000	(965,000)
Interest			517,632	(517,632)
Total expenditures	15,636,015	15,636,015	15,832,621	(196,606)
Excess of revenues over (under) expenditures	(775,583)	(775,583)	201,102	976,685
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	721,241	721,241	671,907	(49,334)
Total other financing sources (uses)	721,241	721,241	671,907	(49,334)
Net change in fund balance	(54,342)	(54,342)	873,009	927,351
Fund Balance - July 1, 2019	981,880	981,880	981,880	
Prior Period Adjustment			(57,653)	(57,653)
Fund Balance - July 1, 2019, Restated	981,880	981,880	924,227	(57,653)
Fund Balance - June 30, 2020	\$ 927,538	\$ 927,538	\$ 1,797,236	\$ 869,698

See Notes to Required Supplemental Information



**CITY OF BRAWLEY**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**ECONOMIC & COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 18,650	\$ 18,650	\$ 72,572	\$ 53,922
Intergovernmental			162,697	162,697
Charges for services			303	303
Total revenues	<u>18,650</u>	<u>18,650</u>	<u>235,572</u>	<u>216,922</u>
<b>EXPENDITURES</b>				
Current:				
Community development	<u>3,800</u>	<u>3,800</u>	<u>3,731</u>	<u>69</u>
Total expenditures	<u>3,800</u>	<u>3,800</u>	<u>3,731</u>	<u>69</u>
Excess of revenues over (under) expenditures	<u>14,850</u>	<u>14,850</u>	<u>231,841</u>	<u>216,991</u>
Net change in fund balance	14,850	14,850	231,841	216,991
Fund Balance - July 1, 2019	<u>7,310,863</u>	<u>7,310,863</u>	<u>7,310,863</u>	
Fund Balance - June 30, 2020	<u>\$ 7,325,713</u>	<u>\$ 7,325,713</u>	<u>\$ 7,542,704</u>	<u>\$ 216,991</u>

See Notes to Required Supplemental Information

**CITY OF BRAWLEY  
REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2020**

**Cost Sharing Defined Benefit Pension Plan**

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

	<u>June 30, 2019</u>	<u>June 30, 2020</u>		
Proportion of the net pension liability	0.07375%	0.07219%		
Proportionate share of the net pension liability	\$ 7,107,035	\$ 7,397,749		
Covered payroll	\$ 8,372,326	\$ 7,258,770		
Proportionate Share of the net pension liability as a percentage of covered payroll	84.89%	101.91%		
Plan fiduciary net position as a percentage of total pension liability	73.31%	73.31%		
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportion of the net pension liability	0.24216%	0.24755%	0.25640%	0.27347%
Proportionate share of the net pension liability	\$ 24,015,174	\$ 21,420,429	\$ 17,598,726	\$ 16,595,334
Covered payroll	\$ 7,825,417	\$ 8,585,302	\$ 7,584,412	\$ 7,564,276
Proportionate Share of the net pension liability as a percentage of covered payroll	306.89%	249.50%	232.04%	219.39%
Plan fiduciary net position as a percentage of total pension liability	73.31%	74.06%	78.40%	79.82%

***Notes to Schedule***

Change in Assumptions: In the 2016 valuation, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

\*Fiscal year 2015 was the 1<sup>st</sup> year of implementation, therefore only six years are shown.

**CITY OF BRAWLEY  
REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2020**

**Cost Sharing Defined Benefit Pension Plan**

Schedule of Contributions – Last 10 Years\*

	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Contractual required contribution (actuarially determined)	\$ 951,338	\$ 977,419
Contributions in relation to the actuarially determined contributions	<u>(951,338)</u>	<u>(977,419)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,454,351	\$ 7,258,770
Contributions as a percentage of covered payroll	11.25%	13.47%

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractual required contribution (actuarially determined)	\$ 925,723	\$ 2,313,745	\$ 1,806,003	\$ 1,783,377
Contributions in relation to the actuarially determined contributions	<u>(17,806,372)</u>	<u>(2,313,745)</u>	<u>(1,806,003)</u>	<u>(1,783,377)</u>
Contribution deficiency (excess)	<u>\$ (16,880,649)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,372,326	\$ 7,825,417	\$ 8,585,302	\$ 7,584,412
Contributions as a percentage of covered payroll	11.06%	29.57%	21.04%	23.51%

***Notes to Schedule***

Valuation Date: June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Inflation	2.75%
Salary Increases	3.30% to 14.20% depending on age, service, and type of employment
Investment Rate of Return	7.15%, net of pension plan investment and administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds

**CITY OF BRAWLEY  
REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2020**

\*Fiscal year 2015 was the 1<sup>st</sup> year of implementation, therefore only six years are shown.

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

<b>Total OPEB Liability</b>	<b>Fiscal Year Ending 6/30/2020</b>	<b>Fiscal Year Ending 6/30/2019</b>	<b>Fiscal Year Ending 6/30/2018</b>
Service cost	\$ 285,565	\$ 273,166	\$ 299,551
Interest	169,334	155,924	130,903
Changes of assumptions	161,809	(38,747)	(415,296)
Actual experience	383,528		
Benefit payments	(115,331)	(94,476)	(89,254)
<b>Net change in total OPEB liability</b>	<b>884,905</b>	<b>295,867</b>	<b>(74,096)</b>
<b>Total OPEB Liability - beginning of fiscal year</b>	<b>4,449,833</b>	<b>4,153,966</b>	<b>4,228,062</b>
<b>Total OPEB Liability - end of fiscal year</b>	<b>\$ 5,334,738</b>	<b>\$ 4,449,833</b>	<b>\$ 4,153,966</b>
<b>Covered payroll</b>	<b>\$ 8,732,808</b>	<b>\$ 7,807,710</b>	<b>\$ 8,037,184</b>
<b>Total OPEB Liability as a % of eligible payroll</b>	<b>61.1%</b>	<b>57.0%</b>	<b>51.7%</b>

*Notes to Schedule*

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

\*Fiscal year 2018 was the 1<sup>st</sup> year of implementation, therefore only three years are shown.

**CITY OF BRAWLEY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**JUNE 30, 2020**

**Schedule of OPEB Employer Contributions - Last 10 Years\***

	<b>Fiscal Year Ending 6/30/2020</b>	<b>Fiscal Year Ending 6/30/2019</b>	<b>Fiscal Year Ending 6/30/2018</b>
Actuarially determined contribution (ADC) <sup>1</sup>	N/A	N/A	N/A
Contributions in relation to the ADC	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A
OPEB-eligible payroll for reporting period (fiscal year) \$	8,732,808	\$ 7,807,710	\$ 8,037,184
Contributions as a percent of payroll	N/A	N/A	N/A

<sup>1</sup> Per GASB 75 paragraph 57c., these disclosures are only required if the employer calculates an Actuarially Determined Contribution (ADC). The City does not currently calculate an ADC.

\*Fiscal year 2018 was the 1<sup>st</sup> year of implementation, therefore only three years are shown.

**NOTE 1 - BUDGETS AND BUDGETARY DATA**

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

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

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

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

General Budget Policies

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

**CITY OF BRAWLEY**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**PARK PROJECTS CAPITAL PROJECTS FUND**  
**For the Fiscal Year Ended June 30, 2020**

	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Intergovernmental	\$ 30,000	\$	\$ (30,000)
Total revenues	30,000		(30,000)
Net change in fund balance	30,000		(30,000)
Fund Balance - July 1, 2019	(333,472)	(333,472)	
Fund Balance - June 30, 2020	<u>\$ (303,472)</u>	<u>\$ (333,472)</u>	<u>\$ (30,000)</u>

### SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

### CAPITAL PROJECTS FUNDS

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

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

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



**CITY OF BRAWLEY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2020**

	Special Revenue Funds			
	Gas Tax	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking
<b>ASSETS</b>				
Cash and investments	\$ 1,606,492	\$ 4,604,892	\$ 525,687	\$ 3,715
Restricted cash and investments with fiscal agents				
Interest receivable	2,145	5,221	474	4
Due from other governments	39,022	159,882		
Total assets	<u>\$ 1,647,659</u>	<u>\$ 4,769,995</u>	<u>\$ 526,161</u>	<u>\$ 3,719</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 23,130	\$ 18,490	\$ 1,469	\$ -
Accrued liabilities	11,728			
Unearned revenue	627,490			
Total liabilities	<u>662,348</u>	<u>18,490</u>	<u>1,469</u>	
Fund balances:				
Restricted for:				
Streets and roads	985,311	4,751,505	524,692	
Public safety				3,719
Community development				
CFD improvements and maintenance				
Total fund balances	<u>985,311</u>	<u>4,751,505</u>	<u>524,692</u>	<u>3,719</u>
Total liabilities and fund balances	<u>\$ 1,647,659</u>	<u>\$ 4,769,995</u>	<u>\$ 526,161</u>	<u>\$ 3,719</u>

Special Revenue Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
Law Enforcement	Successor Agency Housing	Assessment Districts	Streets	Development Impact	
\$ 730,596	\$ 126	\$ 808,924	\$ 661,263	\$ 5,117,251	\$ 14,058,946
		96,145			96,145
985		1,231		1,641	11,701
		110,586	79,755		389,245
<u>\$ 731,581</u>	<u>\$ 126</u>	<u>\$ 1,016,886</u>	<u>\$ 741,018</u>	<u>\$ 5,118,892</u>	<u>\$ 14,556,037</u>
\$ 26,744	\$ -	\$ 793	\$ -	\$ 13,369	\$ 83,995
470					12,198
12,644					640,134
<u>39,858</u>		<u>793</u>		<u>13,369</u>	<u>736,327</u>
691,723			741,018		7,002,526
	126			5,105,523	695,442
		1,016,093			5,105,649
					1,016,093
<u>691,723</u>	<u>126</u>	<u>1,016,093</u>	<u>741,018</u>	<u>5,105,523</u>	<u>13,819,710</u>
<u>\$ 731,581</u>	<u>\$ 126</u>	<u>\$ 1,016,886</u>	<u>\$ 741,018</u>	<u>\$ 5,118,892</u>	<u>\$ 14,556,037</u>

**CITY OF BRAWLEY**

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

NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2020

	Special Revenue Funds			
	Gas Tax	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking
<b>REVENUES</b>				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services				793
Use of money and property	42,050	101,086	8,771	77
Intergovernmental	1,118,238	2,501,719	175,102	
Miscellaneous				
Total revenues	1,160,288	2,602,805	183,873	870
<b>EXPENDITURES</b>				
Current:				
Public safety				
Community development				
Transportation	1,072,787	413,766	28,609	
Capital outlay				
Total expenditures	1,072,787	413,766	28,609	
Excess of revenues over (under) expenditures	87,501	2,189,039	155,264	870
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Transfers out	(270,143)	(1,405,451)		
Total other financing sources (uses)	(270,143)	(1,405,451)		
Net change in fund balances	(182,642)	783,588	155,264	870
Fund Balances (Deficit) - beginning of fiscal year	1,167,953	3,967,917	369,428	2,849
Prior Period Adjustments				
Fund Balances (Deficit) - beginning of fiscal year, restated	1,167,953	3,967,917	369,428	2,849
Fund Balances - end of fiscal year	\$ 985,311	\$ 4,751,505	\$ 524,692	\$ 3,719

Special Revenue Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
Law Enforcement	Successor Agency Housing	Assessment Districts	Streets	Development Impact	
\$ -	\$ -	\$ 201,585	\$ -	\$ -	\$ 201,585
				725,228	726,021
19,289		24,349		40,206	235,828
612,369		117,742	127,073		4,652,243
					-
631,658		343,676	127,073	765,434	5,815,677
293,984					293,984
		28,578		15,272	43,850
			13,641		1,528,803
141,800			1,174,570	963,668	2,280,038
435,784		28,578	1,188,211	978,940	4,146,675
195,874		315,098	(1,061,138)	(213,506)	1,669,002
			1,659,749		1,659,749
(163,336)		(340,996)		(17,371)	(2,197,297)
(163,336)		(340,996)	1,659,749	(17,371)	(537,548)
32,538		(25,898)	598,611	(230,877)	1,131,454
775,142	126	1,043,586	142,407	5,336,400	12,805,808
(115,957)		(1,595)			(117,552)
659,185	126	1,041,991	142,407	5,336,400	12,688,256
\$ 691,723	\$ 126	\$ 1,016,093	\$ 741,018	\$ 5,105,523	\$ 13,819,710

**This page intentionally left blank**

**INTERNAL SERVICE FUNDS**

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

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

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

**CITY OF BRAWLEY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2020**

	Maintenance	Risk Management	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 1,741,453	\$ -	\$ 1,741,453
Interest receivable	2,010		2,010
Notes receivable		16,722	16,722
Total Current Assets	<u>1,743,463</u>	<u>16,722</u>	<u>1,760,185</u>
Noncurrent Assets:			
Capital Assets:			
Construction in progress	11,138		11,138
Depreciable Assets	3,522,519		3,522,519
Total Capital Assets	3,533,657		3,533,657
Less Accumulated Depreciation	(2,003,432)		(2,003,432)
Net Capital Assets	<u>1,530,225</u>		<u>1,530,225</u>
Total Noncurrent Assets	<u>1,530,225</u>		<u>1,530,225</u>
Total Assets	<u>3,273,688</u>	<u>16,722</u>	<u>3,290,410</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	16,770	507	17,277
Due to other funds		534,474	534,474
Total Current Liabilities	<u>16,770</u>	<u>534,981</u>	<u>551,751</u>
Total Liabilities	<u>16,770</u>	<u>534,981</u>	<u>551,751</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,530,225		1,530,225
Unrestricted	1,726,693	(518,259)	1,208,434
Total Net Position	<u>\$ 3,256,918</u>	<u>\$ (518,259)</u>	<u>\$ 2,738,659</u>

**CITY OF BRAWLEY**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION  
For the Fiscal Year Ended June 30, 2020

	Maintenance	Risk Management	Totals
Revenues:			
Charges for services	\$ 346,415	\$ 3,116,064	\$ 3,462,479
Expenses:			
Salary and benefits	75,112		75,112
Supplies and services	75,885	3,208,494	3,284,379
Depreciation	156,463		156,463
Total Expenses	307,460	3,208,494	3,515,954
Operating Income (Loss)	38,955	(92,430)	(53,475)
Non-Operating Revenue (Expenses)			
Use of money and property	204,385		204,385
Total Non-Operating Revenue	204,385		204,385
Net Income (Loss) Before Transfers	243,340	(92,430)	150,910
Transfers out	(4,369)		(4,369)
Change in Net Assets	238,971	(92,430)	146,541
Net Position - Beginning of Fiscal Year	3,017,947	(425,829)	2,592,118
Net Position - End of Fiscal Year	\$ 3,256,918	\$ (518,259)	\$ 2,738,659



**CITY OF BRAWLEY**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2020

	Maintenance	Risk Management	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from users	\$ 346,415	\$ 3,116,064	\$ 3,462,479
Cash payments to suppliers and contractors	(94,144)	(3,257,483)	(3,351,627)
Cash payments for employees and benefit programs	(81,423)		(81,423)
Net Cash Provided (Used) By Operating Activities	<u>170,848</u>	<u>(141,419)</u>	<u>29,429</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Transfers	(4,369)		(4,369)
Loan repayment (issuance)	61,298	(4,427)	56,871
Interfund borrowing (repayment)		145,768	145,768
Intergovernmental receipts (payments)		78	78
Net Cash Provided (Used) By Non-Capital Financing Activities	<u>56,929</u>	<u>141,419</u>	<u>198,348</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of capital assets	(3,741)		(3,741)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(3,741)</u>		<u>(3,741)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Use of money and property	205,495		205,495
Net Cash Provided In Investing Activities	<u>205,495</u>		<u>205,495</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	429,531		429,531
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	<u>1,311,922</u>		<u>1,311,922</u>
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	<u>\$ 1,741,453</u>	<u>\$ -</u>	<u>\$ 1,741,453</u>

(Continued)

**CITY OF BRAWLEY**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2020 (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>\$ 38,955</u>	<u>\$ (92,430)</u>	<u>\$ (53,475)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Depreciation	156,463		156,463
Increase (Decrease) compensated absences	(6,311)		(6,311)
Increase (Decrease) accounts payable and accrued liabilities	<u>(18,259)</u>	<u>(48,989)</u>	<u>(67,248)</u>
Total Adjustments	<u>131,893</u>	<u>(48,989)</u>	<u>82,904</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 170,848</u>	<u>\$ (141,419)</u>	<u>\$ 29,429</u>