

CITY OF BRAWLEY
Brawley, California

Annual Financial Report
For the Fiscal Year Ended June 30, 2019

CITY OF BRAWLEY
Brawley, California

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FINANCIAL SECTION



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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, 2019, 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.

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.

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, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund, and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Economic 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 55 through 59 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.

Accounting principles generally accepted in the United States of America requires that the City present a management’s discussion and analysis, but the City has elected not to.

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 April 10, 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
April 10, 2020

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CITY OF BRAWLEY
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 25,357,469	\$ 21,278,497	\$ 46,635,966
Restricted cash and investments with fiscal agent	96,145	244,323	340,468
Accounts receivable	45,575	1,237,289	1,282,864
Interest receivable	610,488	52,110	662,598
Loans receivable	7,303,610		7,303,610
Due from other governments	921,630	906	922,536
Capital assets not being depreciated	5,524,682	79,034	5,603,716
Capital assets, net of accumulated depreciation	25,903,257	61,268,079	87,171,336
Total assets	65,762,856	84,160,238	149,923,094
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	10,522,264	1,273,743	11,796,007
OPEB related	100,421	9,385	109,806
Total deferred outflows of resources	10,622,685	1,283,128	11,905,813
LIABILITIES			
Accounts payable	2,215,342	392,884	2,608,226
Accrued liabilities	376,266	58,043	434,309
Accrued interest payable	175,829	66,241	242,070
Deposits payable	547,331	584,106	1,131,437
Unearned revenue	8,395,167		8,395,167
Noncurrent liabilities:			
Due within one year	1,184,936	2,164,898	3,349,834
Due in more than one year	25,338,541	13,690,362	39,028,903
Total liabilities	38,233,412	16,956,534	55,189,946
DEFERRED INFLOWS OF RESOURCES			
Pension related	8,521,232	1,071,296	9,592,528
OPEB related	331,105	30,945	362,050
Total deferred inflows of resources	8,852,337	1,102,241	9,954,578
NET POSITION			
Net investment in capital assets	31,427,939	46,909,461	78,337,400
Restricted for:			
Public safety	777,991		777,991
Community development	13,690,975		13,690,975
Culture and leisure	57,965		57,965
Debt service		189,017	189,017
Streets and roads	6,200,989		6,200,989
Unrestricted	(22,856,067)	20,286,113	(2,569,954)
Total net position	\$ 29,299,792	\$ 67,384,591	\$ 96,684,383

See Notes to Basic Financial Statements

CITY OF BRAWLEY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 4,553,354	\$ 2,358,383	\$ 663,202	\$ -
Public safety	11,436,719	486,072	750,463	
Culture and leisure	2,992,671	139,902	153,361	573,526
Community development	2,358,116	1,719,319	1,202,654	
Transportation	2,725,190	1,315,024	510,946	1,610,336
Total governmental activities	<u>24,066,050</u>	<u>6,018,700</u>	<u>3,280,626</u>	<u>2,183,862</u>
Business-type Activities:				
Water	5,028,554	6,965,237		
Wastewater	3,545,740	5,874,470		
Solid Waste	1,445,093	1,450,540		
Airport	610,908	120,457		87,500
Total business-type activities	<u>10,630,295</u>	<u>14,410,704</u>		<u>87,500</u>
Total primary government	<u>\$ 34,696,345</u>	<u>\$ 20,429,404</u>	<u>\$ 3,280,626</u>	<u>\$ 2,271,362</u>

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
\$ (1,531,769)	\$ -	\$ (1,531,769)
(10,200,184)		(10,200,184)
(2,125,882)		(2,125,882)
563,857		563,857
711,116		711,116
(12,582,862)		(12,582,862)
	1,936,683	1,936,683
	2,328,730	2,328,730
	5,447	5,447
	(402,951)	(402,951)
	3,867,909	3,867,909
(12,582,862)	3,867,909	(8,714,953)
4,374,148		4,374,148
2,455,401		2,455,401
1,920,108		1,920,108
393,747		393,747
633,883		633,883
56,903		56,903
12,132		12,132
37,474		37,474
251,867		251,867
1,351,774	617,250	1,969,024
202,541	(202,541)	
11,689,978	414,709	12,104,687
(892,884)	4,282,618	3,389,734
30,203,114	63,101,973	93,305,087
(10,438)		(10,438)
30,192,676	63,101,973	93,294,649
\$ 29,299,792	\$ 67,384,591	\$ 96,684,383

CITY OF BRAWLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	Special Revenue Funds		
	General	Economic & Community Development	SB 325
ASSETS			
Cash and investments	\$ 592,198	\$ -	\$ 8,939,591
Restricted cash and investments with fiscal agent			
Interest receivable		567,787	14,067
Accounts receivable	45,575		
Due from other governments	730,167	106,502	
Due from other funds	613,894		
Loans receivable	6,444	7,223,573	
	<u>1,988,278</u>	<u>7,897,862</u>	<u>8,953,658</u>
Total assets	<u>\$ 1,988,278</u>	<u>\$ 7,897,862</u>	<u>\$ 8,953,658</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 428,095	\$ -	\$ 46,707
Accrued liabilities	357,374		
Deposits payable	220,929		326,342
Unearned revenue			8,027,325
Due to other funds		20,033	
	<u>1,006,398</u>	<u>20,033</u>	<u>8,400,374</u>
Total liabilities	<u>1,006,398</u>	<u>20,033</u>	<u>8,400,374</u>
Deferred inflows of resources			
Unavailable revenue		566,966	
		<u>566,966</u>	
Total deferred inflows of resources		<u>566,966</u>	
Fund balances:			
Restricted for:			
Streets and roads			553,284
Public safety			
Community development		7,310,863	
CFD improvements and maintenance			
Library	57,965		
Unassigned	923,915		
	<u>981,880</u>	<u>7,310,863</u>	<u>553,284</u>
Total fund balances	<u>981,880</u>	<u>7,310,863</u>	<u>553,284</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,988,278</u>	<u>\$ 7,897,862</u>	<u>\$ 8,953,658</u>

See Notes to Basic Financial Statements

<u>Capital Project Fund</u>		
<u>Park Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 14,513,758	\$ 24,045,547
	96,145	96,145
	25,514	607,368
		45,575
	84,883	921,552
		613,894
		<u>7,230,017</u>
<u>\$ -</u>	<u>\$ 14,720,300</u>	<u>\$ 33,560,098</u>
\$ 128,257	\$ 1,527,758	\$ 2,130,817
	18,892	376,266
60		547,331
	367,842	8,395,167
<u>205,155</u>		<u>225,188</u>
<u>333,472</u>	<u>1,914,492</u>	<u>11,674,769</u>
		<u>566,966</u>
		<u>566,966</u>
	5,647,705	6,200,989
	777,991	777,991
	5,336,526	12,647,389
	1,043,586	1,043,586
		57,965
<u>(333,472)</u>		<u>590,443</u>
<u>(333,472)</u>	<u>12,805,808</u>	<u>21,318,363</u>
<u>\$ -</u>	<u>\$ 14,720,300</u>	<u>\$ 33,560,098</u>

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CITY OF BRAWLEY
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019

Fund balances of governmental funds \$ 21,318,363

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 (\$1,682,947) 29,744,992

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	10,522,264
OPEB related deferred outflows	100,421
Pension related deferred inflows	(8,521,232)
OPEB related deferred inflows	(331,105)

Long-term debt and compensated absences have not been included in the governmental funds.

Long-term debt	(15,305,000)
Total OPEB liability	(4,069,505)
Net pension liability	(6,262,918)
Compensated absences, net of internal service funds portion included below (\$6,311)	(879,743)

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. 2,592,118

In governmental funds, certain receivables are not available to pay for current period expenditures and, therefore, are offset by unavailable revenue. 566,966

Net position of governmental activities \$ 29,299,792

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, 2019

	Special Revenue Funds		
	General	Economic & Community Development	SB 325
REVENUES			
Taxes:			
Property	\$ 4,213,383	\$ -	\$ -
Sales and use	2,783,179		
Utility users	1,920,108		
Transient lodging	393,747		
Franchise	633,883		
Business license	56,903		
Licenses and permits	12,132		
Fines and forfeitures	37,474		
Use of money and property	19,435	25,698	186,406
Intergovernmental	944,215	1,155,051	972,675
Charges for services	4,583,402		
Miscellaneous	237,867		
Total revenues	15,835,728	1,180,749	1,159,081
EXPENDITURES			
Current:			
General government	2,222,784		
Public safety	8,240,677		
Culture and leisure	2,202,796		
Community development	1,488,834	22,401	
Transportation			972,675
Capital outlay	113,917	189,711	
Debt service:			
Principal	1,005,000		
Interest	556,957		
Total expenditures	15,830,965	212,112	972,675
Excess of revenues over (under) expenditures	4,763	968,637	186,406
OTHER FINANCING SOURCES (USES)			
Transfers in	247,499		
Transfers out			
Total other financing sources (uses)	247,499		
Net change in fund balances	252,262	968,637	186,406
Fund Balances - July 1, 2018	729,618	\$ 6,342,226	\$ 366,878
Fund Balances - June 30, 2019	\$ 981,880	\$ 7,310,863	\$ 553,284

See Notes to Basic Financial Statements

<u>Capital Projects Fund</u>		
<u>Park Projects</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ -	\$ 160,765	\$ 4,374,148
		2,783,179
		1,920,108
		393,747
		633,883
		56,903
		12,132
		37,474
	275,478	507,017
573,526	2,943,885	6,589,352
	1,435,298	6,018,700
	14,000	251,867
<u>573,526</u>	<u>4,829,426</u>	<u>23,578,510</u>
		2,222,784
	191,394	8,432,071
		2,202,796
	57,006	1,568,241
	1,605,283	2,577,958
	1,543,469	1,847,097
		1,005,000
		556,957
	<u>3,397,152</u>	<u>20,412,904</u>
<u>573,526</u>	<u>1,432,274</u>	<u>3,165,606</u>
		247,499
	(25,978)	(25,978)
	(25,978)	221,521
573,526	1,406,296	3,387,127
(906,998)	11,399,512	17,931,236
<u>\$ (333,472)</u>	<u>\$ 12,805,808</u>	<u>\$ 21,318,363</u>

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CITY OF BRAWLEY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$ 3,387,127
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.	574,462
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.	(1,452,642)
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.	566,966
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.	
Repayment of bond principal	1,005,000
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.	(5,617)
The amounts below included in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These are the current year changes:	
Interest payable	2,925
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	(4,585,682)
OPEB related costs and contributions	(248,055)
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>(137,368)</u>
Change in net position of governmental activities	<u>\$ (892,884)</u>

See Notes to Basic Financial Statements

CITY OF BRAWLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Business-type Activities Enterprise Funds	
	Water	Wastewater
ASSETS		
Current Assets:		
Cash and investments	\$ 6,091,927	\$ 14,741,228
Accounts receivable, net	994,402	169,635
Interest receivable	17,677	33,190
Due from other governments	906	
Loans receivable		
Total current assets	7,104,912	14,944,053
Noncurrent Assets:		
Restricted cash and investments with fiscal agents		244,323
Advances to other funds		1,014,511
Capital assets not being depreciated	42,073	35,011
Capital assets, net of accumulated depreciation	22,576,662	32,081,651
Total noncurrent assets	22,618,735	33,375,496
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	743,536	530,207
OPEB related	5,631	3,754
Total Deferred Outflows of Resources	749,167	533,961
Total assets and deferred outflows of resources	30,472,814	48,853,510
LIABILITIES		
Current Liabilities:		
Accounts payable	153,049	134,332
Accrued liabilities	37,241	20,802
Interest payable	10,935	55,306
Deposits payable	572,684	6,930
Due to other funds		
Current portion of long term debt	1,255,113	909,785
Total current liabilities	2,029,022	1,127,155
Noncurrent liabilities:		
Compensated absences	95,205	49,667
Contracts payable, net of deferred gain and unamortized discount	1,587,829	374,055
Note payable, net of unamortized premium	1,220,727	
Advances from other funds	1,014,511	
Net Pension Liability	490,425	353,692
Total OPEB Liability	228,197	152,131
Bonds payable		9,138,434
Total noncurrent liabilities	4,636,894	10,067,979
Total liabilities	6,665,916	11,195,134
DEFERRED INFLOWS OF RESOURCES		
Pension related	622,414	448,882
OPEB related	18,567	12,378
Total Deferred Inflows of Resources	640,981	461,260
Total liabilities and deferred inflows of resources	7,306,897	11,656,394
NET POSITION		
Net investment in capital assets	18,586,801	21,710,944
Restricted for debt service		189,017
Unrestricted	4,579,116	15,297,155
Total net position	\$ 23,165,917	\$ 37,197,116

See Notes to Basic Financial Statements

Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
Solid Waste	Nonmajor Airport	Totals	
\$ 101,417	\$ 343,925	\$ 21,278,497	\$ 1,311,922
50,998	22,254	1,237,289	
628	615	52,110	3,120
		906	78
			73,593
<u>153,043</u>	<u>366,794</u>	<u>22,568,802</u>	<u>1,388,713</u>
		244,323	
		1,014,511	
	1,950	79,034	
	6,609,766	61,268,079	1,682,947
	<u>6,611,716</u>	<u>62,605,947</u>	<u>1,682,947</u>
		1,273,743	
		9,385	
		<u>1,283,128</u>	
<u>153,043</u>	<u>6,978,510</u>	<u>86,457,877</u>	<u>3,071,660</u>
99,276	6,227	392,884	84,525
		58,043	
		66,241	
	4,492	584,106	
			388,706
		<u>2,164,898</u>	
<u>99,276</u>	<u>10,719</u>	<u>3,266,172</u>	<u>473,231</u>
		144,872	6,311
		1,961,884	
		1,220,727	
		1,014,511	
		844,117	
		380,328	
		<u>9,138,434</u>	
		<u>14,704,873</u>	<u>6,311</u>
<u>99,276</u>	<u>10,719</u>	<u>17,971,045</u>	<u>479,542</u>
		1,071,296	
		30,945	
		<u>1,102,241</u>	
<u>99,276</u>	<u>10,719</u>	<u>19,073,286</u>	<u>479,542</u>
	6,611,716	46,909,461	1,682,947
		189,017	
<u>53,767</u>	<u>356,075</u>	<u>20,286,113</u>	<u>909,171</u>
<u>\$ 53,767</u>	<u>\$ 6,967,791</u>	<u>\$ 67,384,591</u>	<u>\$ 2,592,118</u>

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

For the Fiscal Year Ended June 30, 2019

	Business-Type Activities Enterprise Funds	
	Water	Wastewater
Operating Revenues:		
Charges for services	\$ 6,965,237	\$ 5,874,470
Operating Expenses:		
Salary and benefits	1,220,893	544,239
Administration	329,942	412,925
Supplies and services	2,031,795	1,472,031
Depreciation and amortization	1,391,787	1,004,135
Total operating expenses	4,974,417	3,433,330
Operating income (loss)	1,990,820	2,441,140
Non-Operating Revenues (Expenses):		
Use of money and property	214,904	398,082
Intergovernmental revenue		
Interest expense and fiscal charges	(54,137)	(112,410)
Total non-operating revenues (expenses)	160,767	285,672
Income (Loss) before transfers	2,151,587	2,726,812
Transfers:		
Transfers out	(138,096)	(64,323)
Total Transfers	(138,096)	(64,323)
Changes in net position	2,013,491	2,662,489
Total Net Position - beginning	21,152,426	34,534,627
Prior Period Adjustments		
Total Net Position - beginning, restated	21,152,426	34,534,627
Total Net Position - ending	\$ 23,165,917	\$ 37,197,116

See Notes to Basic Financial Statements

Business-Type Activities Enterprise Funds		Governmental Activities Internal Service Funds	
Solid Waste	Nonmajor Airport	Totals	
\$ 1,450,540	\$ 120,457	\$ 14,410,704	\$ 3,530,993
	4,218	1,769,350	180,976
	7,500	750,367	
1,445,093	50,393	4,999,312	3,571,611
	548,081	2,944,003	174,585
1,445,093	610,192	10,463,032	3,927,172
5,447	(489,735)	3,947,672	(396,179)
4,264		617,250	277,791
	87,500	87,500	
	(716)	(167,263)	
4,264	86,784	537,487	277,791
9,711	(402,951)	4,485,159	(118,388)
	(122)	(202,541)	(18,980)
	(122)	(202,541)	(18,980)
9,711	(403,073)	4,282,618	(137,368)
44,056	7,370,864	63,101,973	2,739,924
			(10,438)
44,056	7,370,864	63,101,973	2,729,486
\$ 53,767	\$ 6,967,791	\$ 67,384,591	\$ 2,592,118

CITY OF BRAWLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Business-Type Activities Enterprise Funds	
	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 7,006,572	\$ 5,802,985
Cash payments to suppliers for goods and services	(2,346,542)	(1,928,545)
Cash payments for employees and benefit programs	(2,091,341)	(1,183,773)
Net cash provided (used) by operating activities	<u>2,568,689</u>	<u>2,690,667</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers	(138,096)	(64,323)
Interfund borrowing (repayment)		
Cash received (payments) from (to) other governments		
Loan repayment		
Net cash provided (used) by non-capital financing activities	<u>(138,096)</u>	<u>(64,323)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash received (payments) from (to) other governments	(906)	
Purchase of capital assets	(41,958)	(87,878)
Loan repayment	(99,263)	99,263
Principal paid on debt	(1,241,509)	(881,573)
Interest paid on debt and fiscal charges	(39,550)	(134,244)
Net cash provided (used) by capital and related financing activities	<u>(1,423,186)</u>	<u>(1,004,432)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Use of money and property	<u>197,227</u>	<u>364,892</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,204,634	1,986,804
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	<u>4,887,293</u>	<u>12,998,747</u>
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	<u><u>\$ 6,091,927</u></u>	<u><u>\$ 14,985,551</u></u>
Reconciliation to Statement of Net Position:		
Cash and investments	\$ 6,091,927	\$ 14,741,228
Restricted cash and investments with fiscal agents		<u>244,323</u>
CASH AND CASH EQUIVALENTS	<u><u>\$ 6,091,927</u></u>	<u><u>\$ 14,985,551</u></u>

See Notes to Basic Financial Statements

Business-Type Activities Enterprise Funds		Governmental Activities Internal Service Fund	
Solid Waste	Nonmajor Airport	Totals	
\$ 1,443,250	\$ 114,051	\$ 14,366,858	\$ 3,530,993
(1,441,582)	(182,344)	(5,899,013)	(3,774,031)
	(4,218)	(3,279,332)	(213,820)
1,668	(72,511)	5,188,513	(456,858)
	(122)	(202,541)	(18,980)
	(774,100)	(774,100)	42,776
			251
			49,003
	(774,222)	(976,641)	73,050
	1,210,741	1,209,835	
	(18,753)	(148,589)	(511,800)
		(2,123,082)	
	(715)	(174,509)	
	1,191,273	(1,236,345)	(511,800)
3,636	(615)	565,140	274,688
5,304	343,925	3,540,667	(620,920)
96,113		17,982,153	1,932,842
<u>\$ 101,417</u>	<u>\$ 343,925</u>	<u>\$ 21,522,820</u>	<u>\$ 1,311,922</u>
\$ 101,417	\$ 343,925	\$ 21,278,497	\$ 1,311,922
		244,323	
<u>\$ 101,417</u>	<u>\$ 343,925</u>	<u>\$ 21,522,820</u>	<u>\$ 1,311,922</u>

(Continued)

CITY OF BRAWLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

(Continued)

	Business-Type Activities Enterprise Funds	
	Water	Wastewater
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 1,990,820	\$ 2,441,140
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,391,787	1,004,135
(Increase) decrease in accounts receivable	(13,342)	(71,452)
Increase (decrease) in accounts payable	52,436	(22,787)
Increase (decrease) in compensated absences	12,132	4,763
Increase (decrease) net pension liability	(933,732)	(674,372)
Increase (decrease) total OPEB liability	13,911	9,273
Increase (decrease) in deposits payable	54,677	(33)
Total adjustments	577,869	249,527
Net cash provided by (used by) operating activities	\$ 2,568,689	\$ 2,690,667

See Notes to Basic Financial Statements

Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
Solid Waste	Nonmajor Airport	Totals	
\$ 5,447	\$ (489,735)	\$ 3,947,672	\$ (396,179)
	548,081	2,944,003	174,585
(7,290)	(6,406)	(98,490)	
3,511	(124,551)	(91,391)	(202,420)
		16,895	(32,844)
		(1,608,104)	
		23,184	
	100	54,744	
(3,779)	417,224	1,240,841	(60,679)
\$ 1,668	\$ (72,511)	\$ 5,188,513	\$ (456,858)

CITY OF BRAWLEY
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2019

	<u>Private Purpose Trust Fund RDA Successor Agency</u>
ASSETS	
Cash and investments	\$ 387,154
Interest receivable	705
Land held for resale	<u>1,081,003</u>
Total Assets	<u>1,468,862</u>
LIABILITIES	
Interest payable	33,193
Deposits payable	359
Long-term debt, due within one year	172,697
Long-term debt, due in more than one year	<u>4,025,849</u>
Total Liabilities	<u>4,232,098</u>
NET POSITION (DEFICIT)	
Unrestricted	<u>(2,763,236)</u>
Total Net Position (Deficit)	<u>\$ (2,763,236)</u>

CITY OF BRAWLEY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust Fund RDA Successor Agency
Additions:	
Tax increment	\$ 398,888
Use of money and property	6,923
Total additions	<u>405,811</u>
Deductions:	
Community development	3,370
Interest	153,587
Administrative expenses	88,837
Total deductions	<u>245,794</u>
Change in net position	160,017
Net Position (Deficit) - July 1, 2018	<u>(2,923,253)</u>
Net Position (Deficit) - June 30, 2019	<u><u>\$ (2,763,236)</u></u>

See Notes to Basic Financial Statements

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, 2019.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Revenue Recognition

Revenue from taxpayer-assessed taxes (sales and use, business license, gas, and franchise fees) is accrued in 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 1st, and is delinquent after December 10th; the second installment is due February 1st and is delinquent after April 10th. Taxes become a lien on the property on January 1st, and on the date of the transfer of the title, and the date of new construction.

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

December	55%
April	40%
June	5%
	100%

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

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

B. Deficit Fund Balances

At June 30, 2019, 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	425,829

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

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the following funds had excess of expenditures over appropriations:

Fund	Final Appropriation	Expenditures	Excess
General Fund			
Capital outlay	\$ 52,779	\$ 113,917	\$ 61,138
Debt service:			
Principal		1,005,000	1,005,000
Interest		556,957	556,957

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, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 46,635,966
Restricted cash and investments with fiscal agent	340,468
Fiduciary Fund:	
Cash and investments	<u>387,154</u>
Total cash and investments, Statement of Net Position	<u>\$ 47,363,588</u>

Cash and investments as of June 30, 2019 consist of the following:

Cash on hand	\$ 4,180
Deposits with financial institutions	13,689,397
Investments	<u>33,670,011</u>
Total cash and investments	<u>\$ 47,363,588</u>

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

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

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019

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)	\$ 15,061,504	\$ 15,061,504	\$ -	\$ -
Certificates of Deposit	16,879,097	5,906,557	3,368,790	7,603,750
US Government Agency Securities	1,485,087			1,485,087
Held by Bond Trustees:				
Money Market Mutual Funds	244,323	244,323		
	<u>\$ 33,670,011</u>	<u>\$ 21,212,384</u>	<u>\$ 3,368,790</u>	<u>\$ 9,088,837</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>Not Rated</u>
Local Agency Investment Pool (LAIF)	\$ 15,061,504	N/A	\$ -	\$ 15,061,504
Certificates of Deposit	16,879,097	N/A		16,879,097
US Government Agency Securities	1,485,087	N/A	1,485,087	
Held by Bond Trustees:				
Money Market Mutual Funds	244,323	N/A		244,323
Total	<u>\$ 33,670,011</u>		<u>\$ 1,485,087</u>	<u>\$ 32,184,924</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, 2019, 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, 2019

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 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.

	Total	FMV Measurement Level 2
<u>Pooled investments by fair value hierarchy</u>		
Investments subject to fair value hierarchy:		
Negotiable Certificates of Deposit	16,879,097	16,879,097
Federal Agency Securities	1,485,087	1,485,087
Total Investments measured at fair value hierarchy	18,364,184	18,364,184
Investments measured using unclassified inputs:		
State Investment Pool (LAIF)	15,061,504	
Total investments not subject at fair value hierarchy	15,061,504	
Total pooled investments	33,425,688	
<u>Investments with fiscal agent not subject to fair value level</u>		
Money Market Mutual Funds	244,323	
Total investments with fiscal agent not subject to fair value level	244,323	
Total investments	33,670,011	

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, 2019

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

A. Long-Term Advances (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise Fund: Wastewater Fund	Enterprise Fund: Water Fund	\$ 1,014,511

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, 2019.

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Governmental Fund:		Major Governmental Funds:	
General Fund	\$ 613,894	Park Projects	\$ 205,155
		Economic and Community Development	20,033
		Internal Service Fund:	
		Risk Management	388,706
		Total	<u>\$ 613,894</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, 2019:

<u>Fund</u>	<u>Transfers-in</u>	<u>Transfers-out</u>
Major Fund:		
General	\$ 247,499	\$ -
Nonmajor Governmental Funds:		
Gas Tax		25,978
Major Proprietary Funds:		
Water		138,096
Wastewater		64,323
Airport		122
Internal Service Fund:		
Maintenance		18,980
Totals	<u>\$ 247,499</u>	<u>\$ 247,499</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 – LOANS RECEIVABLE

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

Economic & Community Development Special Revenue Fund

CDBG loan to Valley Lube & Wash, receivable in installments of \$1,110 per month including interest at 6%. Secured by deed of trust.	\$ 97,972
Employee loans, repayment through payroll deductions	6,444
Loan to Inferno 800. Secured by deed of trust.	33,917
HOME Investment Partnerships Program Loan to BESA, L.P., C/O Chelsea Investment Corporation. Annual payments are in the amount equal to 50% of the residual receipts from the apartment complex. Payments are due 90 days following the end of the calendar year with respect to the preceding year.	3,400,000
Loan to Edward and Martha Singh receivable in the installment of \$756 per month including interest at 6.5%. Secured by deed of trust.	42,409
Deferred notes receivable. No installment payments of principal or interest are required until the loans reach their maturity or underlying property is sold. Secured by deeds of trust. Details of loans by program are listed below:	

Program Name	Balance
04-STBG-1952	749,549
04-STBG-1877	18,526
03-STBG-1804	235,963
STBG 2002-1688	199,349
01-STBG-1569	134,851
STBG-2000-1453	120,727
1997 Grant	113,947
STBG 1996	89,590
STBG 1994	62,693
STBG 1993	52,431
1991 Grant	54,381
1990 Grant	29,649
STBG 304	28,671
Community Development Grants	250,383
First Time Home Buyer	776,577
05-CalHOME-134	168,383
06-CalHOME-261	89,767
11-HOME-7664	247,841
15-HOME-10897	366,377
Total	<u>3,789,655</u>
Less: Allowance	<u>(140,380)</u>
Total Loans Receivable	<u>\$ 7,230,017</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 outstanding as of June 30, 2019 was \$61,298.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance as of June 30, 2018	Additions	Deletions	Transfers	Balance as of June 30, 2019
Governmental Activities					
Nondepreciable capital assets					
Land	\$ 966,706	\$ -	\$ -	\$ -	\$ 966,706
Construction in progress	2,947,919	2,824,882		(1,214,825)	4,557,976
Total nondepreciable capital assets	<u>3,914,625</u>	<u>2,824,882</u>		<u>(1,214,825)</u>	<u>5,524,682</u>
Depreciable capital assets					
Equipment	9,932,289	250,958			10,183,247
Buildings	14,565,604				14,565,604
Improvements other than buildings	16,572,162	434,575		1,214,825	18,221,562
Infrastructure	20,314,587				20,314,587
Total depreciable capital assets	<u>61,384,642</u>	<u>685,533</u>		<u>1,214,825</u>	<u>63,285,000</u>
Less accumulated depreciation					
Equipment	(7,704,012)	(439,673)			(8,143,685)
Buildings	(4,703,685)	(462,956)			(5,166,641)
Improvements other than buildings	(7,388,321)	(927,230)			(8,315,551)
Infrastructure	(14,985,749)	(770,117)			(15,755,866)
Total accumulated depreciation	<u>(34,781,767)</u>	<u>(2,599,976)</u>			<u>(37,381,743)</u>
Net depreciable capital assets	<u>26,602,875</u>	<u>(1,914,443)</u>		<u>1,214,825</u>	<u>25,903,257</u>
Net capital assets	<u>\$ 30,517,500</u>	<u>\$ 910,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,427,939</u>

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

General government	\$ 433,329
Public safety	433,329
Transportation	1,299,988
Parks and recreation	216,665
Community development	216,665
Total	<u>\$ 2,599,976</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Balance as of June 30, 2018	Additions	Deletions	Transfers	Balance as of June 30, 2019
Business-type Activities					
Nondepreciable capital assets					
Land	\$ 37,076	\$ -	\$ -	\$ -	\$ 37,076
Construction in progress		41,958			41,958
Total nondepreciable capital assets	37,076	41,958			79,034
Depreciable capital assets					
Equipment	3,337,874	87,879			3,425,753
Buildings	56,762,535				56,762,535
Improvements other than buildings	14,672,978	18,753			14,691,731
Conveyance systems	34,930,118				34,930,118
Total depreciable capital assets	109,703,505	106,632			109,810,137
Less accumulated depreciation					
Equipment	(2,469,299)	(178,675)			(2,647,974)
Buildings	(20,570,949)	(1,361,756)			(21,932,705)
Improvements other than buildings	(4,969,950)	(673,823)			(5,643,773)
Conveyance systems	(17,587,857)	(729,749)			(18,317,606)
Total accumulated depreciation	(45,598,053)	(2,944,003)			(48,542,058)
Net depreciable capital assets	64,105,452	(2,837,371)			61,268,079
Net capital assets	\$ 64,142,528	\$ (2,795,413)	\$ -	\$ -	\$ 61,347,113

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

Water	\$ 1,391,787
Wastewater	1,004,135
Airport	548,081
Total Depreciation Expense - Business-type Activities	<u>\$ 2,944,003</u>

NOTE 7 –LONG-TERM DEBT

Governmental Activities

The following is a summary of long-term debt activity of the City’s governmental activities for the fiscal year ended June 30, 2019:

	Balance as of June 30, 2018	Additions	Reductions	Balance as of June 30, 2019	Due Within One Year
Governmental Activities:					
Pension obligation bonds	\$ 16,310,000	\$ -	\$ (1,005,000)	\$ 15,305,000	\$ 965,000
Net pension liability	21,240,873		(14,977,955)	6,262,918	
Total OPEB liability	3,798,926	270,579		4,069,505	
Compensated absences	913,281	249,571	(276,798)	886,054	219,936
Total long-term liabilities	<u>\$ 42,263,080</u>	<u>\$ 520,150</u>	<u>\$ (16,259,753)</u>	<u>\$ 26,523,477</u>	<u>\$ 1,184,936</u>

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, 2019 is \$15,305,000. Debt service requirements are as follows:

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 –LONG-TERM DEBT (CONTINUED)

Governmental Activities: Pension Obligation Bonds Series 2017 (Continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 965,000	\$ 517,632	\$ 1,482,632
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
2025-2029	5,225,000	1,651,482	6,876,482
2030-2033	5,785,000	481,869	6,266,869
	<u>\$ 15,305,000</u>	<u>\$ 4,498,742</u>	<u>\$ 19,803,742</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, 2019:

	Balance as of June 30, 2018	Additions	Reductions	Balance as of June 30, 2019	Due Within One Year
Business-type Activities:					
<i>Water Fund</i>					
Debt from direct borrowings and direct placements:					
Contracts payable #1	\$ 2,769,106	\$ -	\$ (791,172)	\$ 1,977,934	\$ 791,174
Deferred gain	108,888		(56,500)	52,388	36,508
Unamortized discount	(187,058)		96,605	(90,453)	(62,891)
Contracts payable #2	825,504		(206,377)	619,127	206,376
Deferred gain	41,875		(19,220)	22,655	13,503
Unamortized discount	(41,875)		19,220	(22,655)	(13,503)
MFC Note payable	1,711,623		(243,960)	1,467,663	250,715
Unamortized premium	5,540		(264)	5,276	1,497
<i>Wastewater Fund</i>					
Debt from direct borrowings and direct placements:					
Contracts payable	729,253		(175,303)	553,950	179,895
CSWRCB Loan	10,558,037		(706,270)	9,851,767	713,333
Net pension liability	2,774,301		(1,930,184)	844,117	
Total OPEB liability	355,040	68,425	(43,137)	380,328	
Compensated absences	176,268	52,993	(36,098)	193,163	48,291
Total long-term liabilities	<u>\$ 19,826,502</u>	<u>\$ 121,418</u>	<u>\$ (4,092,660)</u>	<u>\$ 15,855,260</u>	<u>\$ 2,164,898</u>

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, 2019 is \$0.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 – LONG-TERM DEBT (CONTINUED)

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

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,119,886. This difference, to be reported in the financial statements as a deduction from contracts payable, is being charged to operations through the fiscal year ending June 30, 2021 using the effective interest method. 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, 2019, including deferred gain of \$52,388, and net of unamortized discount of \$90,453 is \$1,939,869. Debt service requirements to maturity on the contract, which includes imputed interest, are as follows:

Fiscal Year Ending June 30,	Principal	Inputed Interest	Total
2020	\$ 728,283	\$ 62,891	\$ 791,174
2021	763,594	27,562	791,156
2022	395,604		395,604
	<u>\$ 1,887,481</u>	<u>\$ 90,453</u>	<u>\$ 1,977,934</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, 2019 is \$0.

There is no difference between the reacquisition price and the carrying amount of the old debt. The balance payable as June 30, 2019, including deferred gain of \$22,655, and net of unamortized discount of \$22,655 is \$619,127. 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	Inputed Interest	Total
2020	\$ 192,873	\$ 13,503	\$ 206,376
2021	198,764	7,611	206,375
2022	204,835	1,541	206,376
	<u>\$ 596,472</u>	<u>\$ 22,655</u>	<u>\$ 619,127</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
2020	\$ 250,715	\$ 38,649	\$ 289,364
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>\$ 1,467,663</u>	<u>\$ 123,837</u>	<u>\$ 1,591,500</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019 is \$553,950. 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
2020	\$ 179,895	\$ 12,156	\$ 192,051
2021	184,609	7,382	191,991
2022	189,446	2,482	191,928
	<u>\$ 553,950</u>	<u>\$ 22,020</u>	<u>\$ 575,970</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 \$9,851,767 at June 30, 2019. 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
2020	\$ 713,333	\$ 98,517	\$ 811,850
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
2025-2029	3,824,327	234,927	4,059,254
2030-2032	2,388,723	47,944	2,436,667
	<u>\$ 9,851,767</u>	<u>\$ 703,407</u>	<u>\$ 10,555,174</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, 2019, 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, 2019, 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.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019. 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, 2019.

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 2018-2019 fiscal year was \$1,085,577, 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, 2019 is \$5,965,000. Additional financial information on the LTA is available from the Imperial County Transportation Local Transportation Authority.

Imperial Valley Emergency Communications Authority:

The City is a participant, along with Imperial County and the other cities in the county, in the Imperial Valley Emergency Communication Authority (IVECA). IVECA is considered a joint venture without equity interest. The purpose of IVECA is to consolidate a communications center by equipping, maintaining, operating and staffing a single-site facility to provide emergency communications (call receiving and dispatching) for public safety and emergency services. It is also anticipated that IVECA will provide centralized dispatching services throughout Imperial County at some point in the future. The City's contribution for the 2018-2019 fiscal year was \$75,824.

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.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – PENSION PLAN (CONTINUED)

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, 2019, 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.

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

As of June 30, 2019, 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
\$ 3,164,926	\$ 3,942,109	\$ 7,107,035

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, 2018, 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, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 was as follows:

Proportion - June 30, 2017	0.24216%
Proportion - June 30, 2018	0.07375%
Change - Increase (Decrease)	-0.16840%

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – PENSION PLAN (CONTINUED)

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

For the fiscal year ended June 30, 2019, the City recognized pension expense of \$925,723. At June 30, 2019, 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	\$ 951,338	\$ -
Differences between projected and actual contributions	9,755,282	(112,883)
Differences between expected and actual experience	206,135	(41,644)
Changes in assumptions	747,601	(140,613)
Net Difference between projected and actual earnings on plan investments	42,337	
Changes in proportion	93,314	(9,297,388)
Total	<u>\$ 11,796,007</u>	<u>\$ (9,592,528)</u>

\$951,338 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, 2020. 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	Amount
June 30,	
2020	\$ 864,645
2021	560,126
2022	(116,858)
2023	(55,772)
Total	<u>\$ 1,252,141</u>

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, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
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, 2017 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.

NOTE 11 – PENSION PLAN (CONTINUED)

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

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

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

Asset Class	New Strategic Allocation	Real Return Year 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	4.00%	-0.55%	-1.05%
Total	100.00%		

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

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

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – PENSION PLAN (CONTINUED)

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

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	\$ 8,846,067	\$ 10,308,076	\$ 19,154,143
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 3,164,926	\$ 3,942,109	\$ 7,107,035
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ (1,524,762)	\$ (1,273,662)	\$ (2,798,424)

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>6/30/2017</u>
1. Active employees electing coverage	74
2. Active employees waiving coverage	62
3. Retirees electing coverage	<u>19</u>
4. Total	<u><u>155</u></u>

Total OPEB Liability

The following tables show the components of the City's annual OPEB cost, the amount paid by the employer as benefits came due, and changes in the OPEB liability for fiscal year June 30, 2019. The City's total OPEB liability of \$4,449,833 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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

Actuarial Method and Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Discount rate	3.62%
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	6.8% for FY2018, gradually decreasing over several decades to an ultimate rate of 4.00% in FY2076 and later years. In addition, the medical trend rates above were increased to reflect the projected effect of the Affordable Care Act's Excise Tax on high-cost health insurance plans. The additional trend rate adjustments vary by year, but average 0.38% beginning calendar year 2030 for plans other than Medicare plans.

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.

Change in Total OPEB Liability

	Total OPEB Liability	
Balance for fiscal year ending 6/30/18 ¹ (Measured at 6/30/17)	\$	4,153,966
Changes for the fiscal year:		
Service cost		273,166
Interest		155,924
Changes of assumptions		(38,747)
Employer contributions ²		
Benefits payments ²		(94,476)
Net changes		295,867
Balance for fiscal year ended 6/30/19 ¹ (Measured at 6/30/18)	\$	4,449,833

¹ 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.

² Benefit payments equal \$34,437 direct subsidy payments to retirees and \$60,039 estimated implicit subsidy costs incurred during the measure period ending June 30, 2018.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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

Change in Total OPEB Liability (Continued)

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 (2.62%)	\$	5,164,160
Current Discount Rate (3.62%)	\$	4,449,833
1% increase in Discount Rate (4.62%)	\$	3,868,894

<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	\$	3,732,701
Current Healthcare Cost Trend Rates	\$	4,449,833
1% increase in Healthcare Cost Trend Rates	\$	5,372,784

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

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$94,477. At June 30, 2019, 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	\$ -	\$ 362,049
Amounts paid subsequent to the measurement date	109,806	
Total	\$ 109,806	\$ 362,049

\$109,806 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, 2020.

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>
2020	\$ (48,047)
2021	(48,047)
2022	(48,047)
2023	(48,047)
2024	(48,047)
Thereafter	(121,814)
	<u>\$ (362,049)</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, consisted of the following:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due within one year
Tax Allocation Bonds	\$ 4,410,000	\$ -	\$ (170,000)	\$ 4,240,000	\$ 175,000
Unamortized premium	76,496		(4,028)	72,468	4,028
Deferred loss on refunding	(120,253)		6,331	(113,922)	(6,331)
Totals	\$ 4,366,243	\$ -	\$ (167,697)	\$ 4,198,546	\$ 172,697

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, 2019 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2020	\$ 175,000	\$ 129,276	\$ 304,276
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
2025-2029	1,135,000	400,669	1,535,669
2030-2034	1,280,000	238,169	1,518,169
2035-2037	870,000	42,888	912,888
Totals	\$ 4,240,000	\$ 1,247,005	\$ 5,487,005

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustment of (\$10,438) was made in the Maintenance internal service fund and governmental activities due to an understatement of payables 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.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BRAWLEY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property tax	\$ 4,207,791	\$ 4,207,791	\$ 4,213,383	\$ 5,592
Sales and use tax	2,365,424	2,365,424	2,783,179	417,755
Utility users	1,786,671	1,786,671	1,920,108	133,437
Transient lodging	345,232	345,232	393,747	48,515
Franchise	625,152	625,152	633,883	8,731
Business license	46,204	46,204	56,903	10,699
Licenses and permits	12,750	12,750	12,132	(618)
Fines and forfeitures	30,925	30,925	37,474	6,549
Use of money and property	20,000	20,000	19,435	(565)
Intergovernmental	987,843	987,843	944,215	(43,628)
Charges for services	4,294,151	4,294,151	4,583,402	289,251
Miscellaneous	239,950	239,950	237,867	(2,083)
Total revenues	14,962,093	14,962,093	15,835,728	873,635
EXPENDITURES				
Current:				
General government	2,421,564	2,421,564	2,222,784	198,780
Public safety	8,579,842	8,579,842	8,240,677	339,165
Culture and leisure	2,345,652	2,345,652	2,202,796	142,856
Community development	1,710,573	1,710,573	1,488,834	221,739
Capital outlay	52,779	52,779	113,917	(61,138)
Debt service:				
Principal			1,005,000	(1,005,000)
Interest			556,957	(556,957)
Total expenditures	15,110,410	15,110,410	15,830,965	(720,555)
Excess of revenues over (under) expenditures	(148,317)	(148,317)	4,763	153,080
OTHER FINANCING SOURCES (USES)				
Transfers in	204,718	204,718	247,499	42,781
Total other financing sources (uses)	204,718	204,718	247,499	42,781
Net change in fund balance	56,401	56,401	252,262	195,861
Fund Balance - July 1, 2018	729,618	729,618	729,618	
Fund Balance - June 30, 2019	\$ 786,019	\$ 786,019	\$ 981,880	\$ 195,861

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, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 52,300	\$ 52,300	\$ 25,698	\$ (26,602)
Intergovernmental	1,339,535	1,339,535	1,155,051	(184,484)
Total revenues	1,391,835	1,391,835	1,180,749	(211,086)
EXPENDITURES				
Current:				
Community development	9,535	9,535	22,401	(12,866)
Capital outlay	1,200,000	1,200,000	189,711	1,010,289
Total expenditures	1,209,535	1,209,535	212,112	997,423
Excess of revenues over (under) expenditures	182,300	182,300	968,637	786,337
Net change in fund balance	182,300	182,300	968,637	786,337
Fund Balance - July 1, 2018	6,342,226	6,342,226	6,342,226	
Fund Balance - June 30, 2019	\$ 6,524,526	\$ 6,524,526	\$ 7,310,863	\$ 786,337

See Notes to Required Supplemental Information

CITY OF BRAWLEY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2019

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>				
Proportion of the net pension liability	0.07375%				
Proportionate share of the net pension liability	\$ 7,107,035				
Covered payroll	\$ 8,372,326				
Proportionate Share of the net pension liability as a percentage of covered payroll	84.89%				
Plan fiduciary net position as a percentage of total pension liability	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 1st year of implementation, therefore only five years are shown.

**CITY OF BRAWLEY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2019**

Cost Sharing Defined Benefit Pension Plan

Schedule of Contributions – Last 10 Years*

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractual required contribution (actuarially determined)	\$ 951,338	\$ 925,723	\$ 2,313,745	\$ 1,806,003	\$ 1,783,377
Contributions in relation to the actuarially determined contributions	(951,338)	(17,806,372)	(2,313,745)	(1,806,003)	(1,783,377)
Contribution deficiency (excess)	\$ -	\$ (16,880,649)	\$ -	\$ -	\$ -
Covered payroll	\$ 8,454,351	\$ 8,372,326	\$ 7,825,417	\$ 8,585,302	\$ 7,584,412
Contributions as a percentage of covered payroll	11.25%	11.06%	29.57%	21.04%	23.51%

Notes to Schedule

Valuation Date: June 30, 2017

Methods and assumptions used to determine contribution rates:

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

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

**CITY OF BRAWLEY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2019**

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

	Fiscal Year Ending 6/30/2019	Fiscal Year Ending 6/30/2018
Total OPEB Liability		
Service cost	\$ 273,166	\$ 299,551
Interest	155,924	130,903
Changes of assumptions	(38,747)	(415,296)
Benefit payments	(94,476)	(89,254)
Net change in total OPEB liability	295,867	(74,096)
Total OPEB Liability - beginning of fiscal year	4,153,966	4,228,062
Total OPEB Liability - end of fiscal year	\$ 4,449,833	\$ 4,153,966
Covered payroll	\$ 7,807,710	\$ 8,037,184
Total OPEB Liability as a % of eligible payroll	57.0%	51.7%

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 1st year of implementation, therefore only two years are shown.

CITY OF BRAWLEY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2019

Schedule of OPEB Employer Contributions - Last 10 Years*

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

¹ 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 1st year of implementation, therefore only two 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, 2019

	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 400,702	\$ 573,526	\$ 172,824
Total revenues	400,702	573,526	172,824
Net change in fund balance	400,702	573,526	172,824
Fund Balance - July 1, 2018	(906,998)	(906,998)	
Fund Balance - June 30, 2019	<u>\$ (506,296)</u>	<u>\$ (333,472)</u>	<u>\$ 172,824</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, 2019

	Special Revenue Funds			
	Gas Tax	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking
ASSETS				
Cash and investments	\$ 1,530,270	\$ 3,973,748	\$ 374,923	\$ 2,842
Restricted cash and investments with fiscal agents				
Interest receivable	3,280	12,659	800	7
Due from other governments	48,779			
Total assets	<u>\$ 1,582,329</u>	<u>\$ 3,986,407</u>	<u>\$ 375,723</u>	<u>\$ 2,849</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 45,240	\$ 18,490	\$ 6,295	\$ -
Accrued liabilities	13,938			
Unearned revenue	355,198			
Total liabilities	<u>414,376</u>	<u>18,490</u>	<u>6,295</u>	
Fund balances:				
Restricted for:				
Streets and roads	1,167,953	3,967,917	369,428	
Public safety				2,849
Community development				
CFD improvements and maintenance				
Total fund balances	<u>1,167,953</u>	<u>3,967,917</u>	<u>369,428</u>	<u>2,849</u>
Total liabilities and fund balances	<u>\$ 1,582,329</u>	<u>\$ 3,986,407</u>	<u>\$ 375,723</u>	<u>\$ 2,849</u>

Special Revenue Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
Law Enforcement	Successor Agency Housing	Assessment Districts	Streets	Development Impact	
\$ 797,686	\$ 126	\$ 919,724	\$ 1,526,691	\$ 5,387,748	\$ 14,513,758
		96,145			96,145
1,558		2,045		5,165	25,514
		36,104			84,883
<u>\$ 799,244</u>	<u>\$ 126</u>	<u>\$ 1,054,018</u>	<u>\$ 1,526,691</u>	<u>\$ 5,392,913</u>	<u>\$ 14,720,300</u>
\$ 6,504	\$ -	\$ 10,432	\$ 1,384,284	\$ 56,513	\$ 1,527,758
4,954					18,892
12,644					367,842
<u>24,102</u>		<u>10,432</u>	<u>1,384,284</u>	<u>56,513</u>	<u>1,914,492</u>
775,142			142,407		5,647,705
	126			5,336,400	777,991
		1,043,586			5,336,526
					1,043,586
<u>775,142</u>	<u>126</u>	<u>1,043,586</u>	<u>142,407</u>	<u>5,336,400</u>	<u>12,805,808</u>
<u>\$ 799,244</u>	<u>\$ 126</u>	<u>\$ 1,054,018</u>	<u>\$ 1,526,691</u>	<u>\$ 5,392,913</u>	<u>\$ 14,720,300</u>

CITY OF BRAWLEY

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

NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2019

	Special Revenue Funds			
	Gas Tax	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking
REVENUES				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services				743
Use of money and property	32,867	136,597	8,162	66
Intergovernmental	1,096,890	1,085,577	86,601	
Miscellaneous				
Total revenues	1,129,757	1,222,174	94,763	809
EXPENDITURES				
Current:				
Public safety				
Community development				
Transportation	689,447	672,922	21,298	
Capital outlay				
Total expenditures	689,447	672,922	21,298	
Excess of revenues over (under) expenditures	440,310	549,252	73,465	809
OTHER FINANCING SOURCES (USES)				
Transfers out	(25,978)			
Total other financing sources (uses)	(25,978)			
Net change in fund balances	414,332	549,252	73,465	809
Fund Balances (Deficit) - beginning of fiscal year	753,621	3,418,665	295,963	2,040
Fund Balances - end of fiscal year	\$ 1,167,953	\$ 3,967,917	\$ 369,428	\$ 2,849

Special Revenue Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
Law Enforcement	Successor Agency Housing	Assessment Districts	Streets	Development Impact	
\$ -	\$ -	\$ 160,765	\$ -	\$ -	\$ 160,765
				1,434,555	1,435,298
25,774		20,639		51,373	275,478
551,503	467	118,445	4,402		2,943,885
				14,000	14,000
577,277	467	299,849	4,402	1,499,928	4,829,426
191,394					191,394
		44,663		12,343	57,006
			221,616		1,605,283
			1,397,752	145,717	1,543,469
191,394		44,663	1,619,368	158,060	3,397,152
385,883	467	255,186	(1,614,966)	1,341,868	1,432,274
					(25,978)
					(25,978)
385,883	467	255,186	(1,614,966)	1,341,868	1,406,296
389,259	(341)	788,400	1,757,373	3,994,532	11,399,512
\$ 775,142	\$ 126	\$ 1,043,586	\$ 142,407	\$ 5,336,400	\$ 12,805,808

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INTERNAL SERVICE FUNDS

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

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

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

CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2019

	Maintenance	Risk Management	Totals
ASSETS			
Current Assets:			
Cash and investments	\$ 1,311,922	\$ -	\$ 1,311,922
Interest receivable	3,120		3,120
Due from other governments		78	78
Notes receivable	61,298	12,295	73,593
Total Current Assets	<u>1,376,340</u>	<u>12,373</u>	<u>1,388,713</u>
Noncurrent Assets:			
Capital Assets:			
Construction in progress	11,138		11,138
Depreciable Assets	3,518,778		3,518,778
Total Capital Assets	3,529,916		3,529,916
Less Accumulated Depreciation	(1,846,969)		(1,846,969)
Net Capital Assets	<u>1,682,947</u>		<u>1,682,947</u>
Total Noncurrent Assets	<u>1,682,947</u>		<u>1,682,947</u>
Total Assets	<u>3,059,287</u>	<u>12,373</u>	<u>3,071,660</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	35,029	49,496	84,525
Due to other funds		388,706	388,706
Total Current Liabilities	<u>35,029</u>	<u>438,202</u>	<u>473,231</u>
Noncurrent Liabilities:			
Compensated absences	<u>6,311</u>		<u>6,311</u>
Total Liabilities	<u>41,340</u>	<u>438,202</u>	<u>479,542</u>
NET POSITION			
Net investment in capital assets	1,682,947		1,682,947
Unrestricted	<u>1,335,000</u>	<u>(425,829)</u>	<u>909,171</u>
Total Net Position	<u>\$ 3,017,947</u>	<u>\$ (425,829)</u>	<u>\$ 2,592,118</u>

CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
For the Fiscal Year Ended June 30, 2019

	Maintenance	Risk Management	Totals
Revenues:			
Charges for services	\$ 159,866	\$ 3,371,127	\$ 3,530,993
Expenses:			
Salary and benefits	180,976		180,976
Supplies and services	179,743	3,391,868	3,571,611
Depreciation	174,585		174,585
Total Expenses	535,304	3,391,868	3,927,172
Operating Income (Loss)	(375,438)	(20,741)	(396,179)
Non-Operating Revenue (Expenses)			
Use of money and property	277,791		277,791
Total Non-Operating Revenue	277,791		277,791
Net Income (Loss) Before Transfers	(97,647)	(20,741)	(118,388)
Transfers out	(18,980)		(18,980)
Change in Net Assets	(116,627)	(20,741)	(137,368)
Net Position - Beginning of Fiscal Year	3,145,012	(405,088)	2,739,924
Prior Period Adjustments	(10,438)		(10,438)
Net Position - Beginning of Fiscal Year, Restated	3,134,574	(405,088)	2,729,486
Net Position - End of Fiscal Year	\$ 3,017,947	\$ (425,829)	\$ 2,592,118

CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019

	Maintenance	Risk Management	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from users	\$ 159,866	\$ 3,371,127	\$ 3,530,993
Cash payments to suppliers and contractors	(372,172)	(3,401,859)	(3,774,031)
Cash payments for employees and benefit programs	(213,820)		(213,820)
Net Cash Provided (Used) By Operating Activities	<u>(426,126)</u>	<u>(30,732)</u>	<u>(456,858)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers	(18,980)		(18,980)
Loan repayment (issuance)	61,298	(12,295)	49,003
Interfund borrowing (repayment)		42,776	42,776
Intergovernmental receipts (payments)		251	251
Net Cash Provided (Used) By Non-Capital Financing Activities	<u>42,318</u>	<u>30,732</u>	<u>73,050</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(511,800)		(511,800)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(511,800)</u>		<u>(511,800)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Use of money and property	274,688		274,688
Net Cash Provided In Investing Activities	<u>274,688</u>		<u>274,688</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(620,920)		(620,920)
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	1,932,842		1,932,842
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	<u>\$ 1,311,922</u>	<u>\$ -</u>	<u>\$ 1,311,922</u>

(Continued)

CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019 (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>\$ (375,438)</u>	<u>\$ (20,741)</u>	<u>\$ (396,179)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Depreciation	174,585		174,585
Increase (Decrease) compensated absences	(32,844)		(32,844)
Increase (Decrease) accounts payable and accrued liabilities	<u>(192,429)</u>	<u>(9,991)</u>	<u>(202,420)</u>
Total Adjustments	<u>(50,688)</u>	<u>(9,991)</u>	<u>(60,679)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (426,126)</u>	<u>\$ (30,732)</u>	<u>\$ (456,858)</u>