

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**B. Investments Authorized by Debt Agreements**

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

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

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

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

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
State Investment Pool (LAIF)	\$ 16,545,378	\$ 16,545,378	\$ -	\$ -
Certificates of Deposit	11,567,620	2,508,239	1,475,334	7,584,047
Federal Agency Securities	1,446,158			1,446,158
Money Market Funds	1,010,135	1,010,135		
Held by Bond Trustees:				
Money Market Mutual Funds	238,689	238,689		
	<u>\$ 30,807,980</u>	<u>\$ 20,302,441</u>	<u>\$ 1,475,334</u>	<u>\$ 9,030,205</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.

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

**E. Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City’s investment policy, or debt agreements, and the actual rating (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>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>				
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>	
State Investment Pool	\$ 16,545,378	N/A	\$ -	\$ -	\$ -	\$ -	\$ 16,545,378	
Certificates of Deposit	11,567,620	N/A					11,567,620	
Federal Agency Securities	1,446,158	N/A			1,446,158			
Money Market Funds	1,010,135	N/A					1,010,135	
Held by Bond Trustee:								
Money Market Mutual Funds	238,689	N/A					238,689	
<b>Total</b>	<b>\$ 30,807,980</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,446,158</b>	<b>\$ -</b>	<b>\$ 29,361,822</b>	

**F. Concentration of Credit Risk**

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

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

As of June 30, 2017, none of the City’s deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

**Investment in State Investment Pool**

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

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

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy as follows: Level 1 – Investments reflect prices quoted in active markets; Level 2 – Investments reflect prices that are based on similar observable assets 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. The City has the following recurring fair value measurements as of June 30, 2017:

<u>Pooled investments by fair value hierarchy</u>	Total	FMV Measurement
		Level 2
Investments subject to fair value hierarchy:		
Negotiable Certificates of Deposit	11,567,620	11,567,620
Federal Agency Securities	1,446,158	1,446,158
Total Investments measured at fair value hierarchy	13,013,778	13,013,778
Investments measured using uncategorized inputs:		
State Investment Pool (LAIF)	16,545,378	
Money Market Mutual Funds	1,010,135	
Total investments not subject at fair value hierarchy	17,555,513	
 Total pooled investments	 30,569,291	
<u>Investments with fiscal agent not subject to fair value level</u>		
Money Market Mutual Funds	238,689	
Total investments with fiscal agent not subject to fair value level	238,689	
 Total investments	 30,807,980	

**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.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise Fund: Wastewater Fund	Enterprise Fund: Water Fund	\$ 1,220,961

**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, 2017.

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Governmental Fund:		Major Governmental Fund:	
General Fund	\$ 2,253,059	Park Projects	\$ 1,976,992
	\$ 2,253,059	Economic and Community Development	170,382
		Non-major Governmental Fund:	
		Successor Agency Housing	341
		Internal Service Fund:	
		Risk Management	105,344
		Total	\$ 2,253,059

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

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

C. Interfund Transfers

Transfers are utilized for funding for capital projects, lease payments or debt service, subsidies of various City operations, and re-allocations of special revenues. All inter-fund transfers between individual government funds have been eliminated on the government-wide statements. The City had the following transfers during fiscal year ended June 30, 2017.

Fund	Transfers-in	Transfers-out
Major Governmental Funds:		
General Fund	\$ 334,782	\$ 737,500
Economic and Community Development Fund		227,538
Major Enterprise Funds:		
Wastewater Fund	227,538	
Nonmajor Governmental Funds:		
Gas Tax Special Revenue Fund		89,693
Measure D Special Revenue Fund		109,282
Law Enforcement Special Revenue Fund		255,766
Assessment Districts Special Revenue Fund		79,017
Streets Capital Projects Fund	198,976	
Internal Service Fund:		
Maintenance	737,500	
Totals	\$ 1,498,796	\$ 1,498,796

Transfer of \$79,017 was made from the Assessment Districts Special Revenue Fund to the General Fund for allocation of administrative costs.

Transfer of \$255,766 was made from Law Enforcement Special Revenue Fund to the General Fund for allocation of administrative costs.

Transfer of \$737,500 was made from the General Fund to the Maintenance Internal Service Fund to fund future equipment and IT projects.

Transfers from the Gas Tax Special Revenue Fund (\$89,693) and from the Measure D Special Revenue Fund (\$109,282) were made to the Streets Capital Projects Fund as contributions for projects.

Transfer of \$227,538 was made from the Economics and Community Development Fund to the Wastewater Fund for reimbursement of costs.

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**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
Loan to Inferno 800. Secured by deed of trust.	49,505
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	779,736
04-STBG-1877	45,579
03-STBG-1804	241,453
STBG 2002-1688	250,147
01-STBG-1569	145,298
STBG-2000-1453	154,926
STBG-1995-1345	50,476
1997 Grant	113,948
STBG 1996	89,590
STBG 1994	69,392
STBG 1993	52,431
1991 Grant	54,762
1990 Grant	32,167
STBG 304	28,671
Community Development Grants	250,383
First Time Home Buyer	830,327
05-CalHOME-134	168,383
06-CalHOME-261	89,767
11-HOME-7664	349,942
Misc. loans	106,073
<b>Total</b>	<b>3,903,451</b>
<b>Total Loans Receivable</b>	<b>\$ 7,493,337</b>

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.

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**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance as of July 1, 2016, Restated	Additions	Deletions	Transfers	Balance as of June 30, 2017
<b>Governmental Activities</b>					
Nondepreciable capital assets					
Land	\$ 966,706	\$ -	\$ -	\$ -	\$ 966,706
Construction in progress	2,902,136	2,540,167		(990,470)	4,451,833
Total nondepreciable capital assets	<u>3,868,842</u>	<u>2,540,167</u>		<u>(990,470)</u>	<u>5,418,539</u>
Depreciable capital assets					
Equipment	9,108,002	105,793			9,213,795
Buildings	12,036,575			454,060	12,490,635
Improvements other than buildings	15,177,620	895,514		536,410	16,609,544
Infrastructure	20,314,587				20,314,587
Total depreciable capital assets	<u>56,636,784</u>	<u>1,001,307</u>	<u>-</u>	<u>990,470</u>	<u>58,628,561</u>
Less accumulated depreciation					
Equipment	(6,530,495)	(538,185)			(7,068,680)
Buildings	(3,860,387)	(390,031)			(4,250,418)
Improvements other than buildings	(5,658,951)	(834,200)			(6,493,151)
Infrastructure	(12,842,511)	(1,230,171)			(14,072,682)
Total accumulated depreciation	<u>(28,892,344)</u>	<u>(2,992,587)</u>	<u>-</u>		<u>(31,884,931)</u>
Net depreciable capital assets	<u>27,744,440</u>	<u>(1,991,280)</u>	<u>-</u>	<u>990,470</u>	<u>26,743,630</u>
Net capital assets	<u>\$ 31,613,282</u>	<u>\$ 548,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,162,169</u>

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

General government	\$ 498,764
Public safety	498,764
Streets and public works	1,496,294
Parks and recreation	249,383
Community development	249,382
Total	<u>\$ 2,992,587</u>

**CITY OF BRAWLEY**  
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**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

	Balance as of July 1, 2016	Additions	Deletions	Transfers	Balance as of June 30, 2017
<b>Business-type Activities</b>					
Nondepreciable capital assets					
Land	\$ 37,076	\$ -	\$ -	\$ -	\$ 37,076
Construction in progress	1,333,465	224,543		(1,151,122)	406,886
Total nondepreciable capital assets	<u>1,370,541</u>	<u>224,543</u>		<u>(1,151,122)</u>	<u>443,962</u>
Depreciable capital assets					
Equipment	3,236,127	13,010			3,249,137
Buildings	56,462,194				56,462,194
Improvements other than buildings	11,695,615	527,943		1,151,122	13,374,680
Conveyance systems	34,823,573				34,823,573
Total depreciable capital assets	<u>106,217,509</u>	<u>540,953</u>		<u>1,151,122</u>	<u>107,909,584</u>
Less accumulated depreciation					
Equipment	(2,148,975)	(166,968)			(2,315,943)
Buildings	(17,782,014)	(1,421,159)			(19,203,173)
Improvements other than buildings	(3,815,537)	(544,354)			(4,359,891)
Conveyance systems	(16,104,192)	(725,070)			(16,829,262)
Total accumulated depreciation	<u>(39,850,718)</u>	<u>(2,857,551)</u>			<u>(42,708,269)</u>
Net depreciable capital assets	<u>66,366,791</u>	<u>(2,316,598)</u>		<u>1,151,122</u>	<u>65,201,315</u>
Net capital assets	<u>\$ 67,737,332</u>	<u>\$ (2,092,055)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,645,277</u>

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

Water	\$ 1,349,928
Wastewater	1,043,303
Airport	<u>464,320</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 2,857,551</u>

**CITY OF BRAWLEY**  
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**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, 2017:

	Balance as of July 1, 2016	Additions	Reductions	Balance as of June 30, 2017	Due Within One Year
<b>Governmental Activities:</b>					
Capital lease	\$ 19,526	\$ -	\$ (19,526)	\$ -	\$ -
Net pension liability	15,664,784	3,315,806	-	18,980,590	-
Compensated absences	1,278,498	193,610	(193,725)	1,278,383	193,725
Total long-term liabilities	<u>\$ 16,962,808</u>	<u>\$ 3,509,416</u>	<u>\$ (213,251)</u>	<u>\$ 20,258,973</u>	<u>\$ 193,725</u>

Capital Lease

The City has entered into a lease agreement as lessee for financing the acquisition of a park facility lighting system having a purchase price of \$149,731. This lease was paid off during the fiscal year ended June 30, 2017.

*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, 2017:

	Balance as of July 1, 2016	Additions	Reductions	Balance as of June 30, 2017	Due Within One Year
<b>Business-type Activities:</b>					
<i>Water Fund</i>					
Contracts payable #1	\$ 4,351,454	\$ -	\$ (395,586)	\$ 3,955,868	\$ 1,186,761
Deferred gain	279,420	-	(94,656)	184,764	75,876
Unamortized discount	(475,150)	-	159,370	(315,780)	(128,722)
Contracts payable #2	1,238,252	-	(103,188)	1,135,064	309,564
Deferred gain	96,792	-	(30,150)	66,642	24,767
Unamortized discount	(96,792)	-	30,150	(66,642)	(24,767)
MFC Note payable	2,180,000	-	(230,991)	1,949,009	237,387
Unamortized premium	9,418	-	(2,020)	7,398	1,858
Bonds payable	20,200	-	(20,200)	-	-
<i>Wastewater Fund</i>					
Contracts payable	1,066,545	-	(166,465)	900,080	170,827
CSWRCB Loan	11,949,667	-	(692,355)	11,257,312	699,278
Net pension liability	1,933,941	505,898	-	2,439,839	-
Compensated absences	221,820	57,202	(40,544)	238,478	47,696
Total long-term liabilities	<u>\$ 22,775,567</u>	<u>\$ 563,100</u>	<u>\$ (1,586,635)</u>	<u>\$ 21,752,032</u>	<u>\$ 2,600,525</u>

Water Enterprise Fund: Contracts Payable #1 and Defeased Certificates of Participation

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



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

*Water Enterprise Fund: Contracts Payable #1 and Defeased Certificates of Participation (Continued)*

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 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,119,886. This difference, to be reported in the financial statements as a deduction from contracts payable, is being charged to operations through the fiscal year ending June 30, 2021 using the effective interest method. The balance payable as of June 30, 2017, including deferred gain of \$184,764, and net of unamortized discount of \$315,780 is \$3,824,852. Debt service requirements to maturity on the contract, which includes imputed interest, are as follows:

Fiscal Year Ending June 30,	Principal	Imputed Interest	Total
2018	\$ 1,058,039	\$ 128,722	\$ 1,186,761
2019	694,587	96,587	791,174
2020	728,283	62,891	791,174
2021	763,594	27,580	791,174
2022	395,585		395,585
	<u>\$ 3,640,088</u>	<u>\$ 315,780</u>	<u>\$ 3,955,868</u>

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

There is no difference between the reacquisition price and the carrying amount of the old debt. The balance payable as June 30, 2017, including deferred gain of \$66,642, and net of unamortized discount of \$66,642 is \$1,135,064. Debt service requirements to maturity which includes imputed interest are as follows:

Fiscal Year Ending June 30,	Principal	Imputed Interest	Total
2018	\$ 284,797	\$ 24,767	\$ 309,564
2019	187,156	19,219	206,375
2020	192,873	13,502	206,375
2021	198,764	7,611	206,375
2022	204,832	1,543	206,375
	<u>\$ 1,068,422</u>	<u>\$ 66,642</u>	<u>\$ 1,135,064</u>

*Water Enterprise Fund: 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. The debt service requirements to maturity on the note are as follows:

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

*Water Enterprise Fund: MFC Note Payable (Continued)*

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 237,387	\$ 45,404	\$ 282,791
2019	243,960	38,648	282,608
2020	250,715	31,707	282,422
2021	257,657	24,572	282,229
2022	264,791	17,240	282,031
2023-2025	694,499	28,908	723,407
	<u>\$ 1,949,009</u>	<u>\$ 186,479</u>	<u>\$ 2,135,488</u>

*Water Enterprise Fund: Water District Bonds Payable*

On June 1, 1977, the Brawley County Water District issued Bonds totaling \$368,000. Subsequently, the Brawley County Water District was annexed by the City at which time these outstanding bonds became a reportable obligation of the City. All funds to pay the outstanding bonds continue to be collected and paid by the County of Imperial. The bonds bear interest at a rate of 5% with a final maturity date of June 1, 2017. This bond has been paid of as of June 30, 2017.

*Wastewater Enterprise Fund: 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). The purpose is to help finance improvements to the wastewater system. The balance payable as of June 30, 2017 is \$900,080. Debt service requirements to maturity on the contract are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 170,827	\$ 21,344	\$ 192,171
2019	175,302	16,809	192,111
2020	179,895	12,156	192,051
2021	184,609	7,382	191,991
2022	189,447	2,482	191,929
	<u>\$ 900,080</u>	<u>\$ 60,173</u>	<u>\$ 960,253</u>

*Wastewater Enterprise Fund: 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 \$11,257,312 at June 30, 2017. Annual debt service requirements for the CSWRCB Loan are shown below:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 699,278	\$ 112,573	\$ 811,851
2019	706,271	105,580	811,851
2020	713,334	98,517	811,851
2021	720,467	91,384	811,851
2022	727,672	84,179	811,851
2023-2027	3,748,974	310,281	4,059,255
2028-2032	3,941,316	119,053	4,060,369
	<u>\$ 11,257,312</u>	<u>\$ 921,567</u>	<u>\$ 12,178,879</u>

**NOTE 8 – RISK MANAGEMENT**

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

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

The Authority is a consortium of 107 California public entities. The Authority's governing board consists of one member from each participating agency and is responsible for the selection of management as well as budgeting and financing. Insurance activities are financed by charges to members, and no long-term debt has been incurred. Actual annual premiums are determined using a retrospective method. At June 30, 2010, and as in the prior fiscal year, the City was self-insured for each general liability loss to the extent of \$30,000. At June 30, 2014, and as in the prior fiscal year, the City was self-insured for each workers' compensation loss to the extent of \$50,000. Losses above \$30,000 for general liability, and above \$50,000 for workers' compensation, are shared by the participating agencies, or covered by excess insurance coverage obtained by the Authority.

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

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

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

**NOTE 10 – 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 8, 2003 the LTA issued \$6,670,000 of sales tax refunding and new money bonds to refund on a current basis all of a previous bond issue and to fund certain transportation projects for the City and another member of the LTA. The amount made available to the City by this issue was \$1,849,216. The LTA has pledged the City's share of sales tax revenue as security for the amount. The amount received this fiscal year as shown above is net of the City's share of debt service required on this bond issue. The City has no other liability for the debt.

Additional financial information on the LTA is available from the Imperial County Transportation Local Transportation Authority.

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

Imperial Valley Emergency Communications Authority:

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

**NOTE 11 – PENSION PLAN**

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

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

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

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

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

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

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

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

As of June 30, 2017, 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
\$ 9,147,913	\$ 12,272,516	\$ 21,420,429

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, 2016, 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, 2015 rolled forward to June 30, 2016 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 plans 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, 2015 and 2016 was as follows:

Proportion - June 30, 2015	0.25640%
Proportion - June 30, 2016	<u>0.24755%</u>
Change - Increase (Decrease)	<u><u>-0.00885%</u></u>

For the fiscal year ended June 30, 2017, the City recognized pension expense of \$2,219,094. At June 30, 2017, 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	\$ 2,313,745	\$ -
Differences between projected and actual contributions	336,858	(196,660)
Differences between expected and actual experience	32,757	(111,271)
Changes in assumptions	-	(762,333)
Net Difference between projected and actual earnings on plan investments	3,835,709	-
Changes in proportion	457,659	(474,457)
Total	<u>\$ 6,976,728</u>	<u>\$ (1,544,721)</u>

\$2,313,745 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, 2018. 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:

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

	Fiscal Year Ended June 30,	
	2018	\$ 139,255
	2019	231,705
	2020	1,750,882
	2021	996,420
	Total	<u>\$ 3,118,262</u>

The City’s net pension liability for each 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, 2015 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
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, 2015 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 found on the CalPERS website.

*Discount Rate* - The discount rate used to measure the total pension liability was 7.65% 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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 7.65 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 7.65 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.

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

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	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-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.

*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	6.65%	6.65%	6.65%
Net Pension Liability	\$14,140,669	\$17,645,475	\$31,786,144
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$9,147,913	\$12,272,516	\$21,420,429
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$5,021,647	\$7,861,867	\$12,883,514

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

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 12 – 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, 2017, consisted of the following:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due within one year
Tax Allocation Bonds	\$ 4,800,000	\$ -	\$ (225,000)	\$ 4,575,000	\$ 165,000
Unamortized premium	84,548		(4,026)	80,522	4,026
Deferred loss on refunding	(132,917)		6,330	(126,587)	(6,329)
Totals	<u>\$ 4,751,631</u>	<u>\$ -</u>	<u>\$ (222,696)</u>	<u>\$ 4,528,935</u>	<u>\$ 162,697</u>

**2016 Tax Allocation Refunding Bonds Payable**

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

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, 2017 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2018	\$ 165,000	\$ 140,351	\$ 305,351
2019	170,000	135,326	305,326
2020	175,000	129,276	304,276
2021	180,000	121,276	301,276
2022	195,000	112,876	307,876
2023-2027	1,065,000	458,658	1,523,658
2028-2032	1,225,000	309,625	1,534,625
2033-2037	1,400,000	115,295	1,515,295
Totals	<u>\$ 4,575,000</u>	<u>\$ 1,522,683</u>	<u>\$ 6,097,683</u>



**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 12 – SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)**

B. Land held for resale at June 30, 2017 was \$1,081,003.

**NOTE 13 – PRIOR PERIOD ADJUSTMENTS**

1. A prior period adjustment of (\$536,299) was made in the Statement of Activities due to an overstatement of accounts receivable on the government-wide statements.
2. A prior period adjustment of (\$274,941) was made in the Maintenance Fund due to an overstatement of fixed assets in the prior fiscal year.
3. A prior period adjustment of \$306,491 was made in the Maintenance Fund due to an understatement of loans receivable and unearned revenue in the prior fiscal year.
4. A prior period adjustment of \$13,675 was made in the Water Fund due to an overstatement of deposits payable in the prior fiscal year.
5. A prior period adjustment of \$(495,357) was made in the Water Fund due to an understatement of accounts payable in the prior fiscal year.
6. A prior period adjustment of (\$74,136) was made in the Economic & Community Development Fund due to an overstatement of cash in the prior fiscal year.

The table below summarizes the impacts of these prior period adjustments by opinion unit:

	Opinion Unit				
	Governmental Activities	Business-type Activities	Internal Service Funds	Water Fund	Economic & Community Development Fund
Beginning Fund Balance/Net Position, as previously reported	\$ 37,996,407	\$ 60,370,187	\$ 2,882,534	\$ 20,459,604	\$ 7,669,797
Prior Period Adjustment #1	(536,299)				
Prior Period Adjustment #2	(274,941)		(274,941)		
Prior Period Adjustment #3	306,491		306,491		
Prior Period Adjustment #4		13,675		13,675	
Prior Period Adjustment #5		(495,357)		(495,357)	
Prior Period Adjustment #6	(74,136)				(74,136)
Total Prior Period Adjustments	(578,885)	(481,682)	31,550	(481,682)	(74,136)
Beginning Fund Balance/Net Position, Restated	\$ 37,417,522	\$ 59,888,505	\$ 2,914,084	\$ 19,977,922	\$ 7,595,661

**NOTE 14 – MANAGEMENT’S REVIEW OF SUBSEQUENT EVENTS**

On July 20, 2017, the City of Brawley issued Taxable Pension Obligation Bonds in the amount of \$16,310,000 to fund a portion of city’s net pension liability for the Safety and the Miscellaneous plans. The issuance is an attempt to provide the City with significant savings in interest.

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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, 2017**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Utility users	\$ 1,975,091	\$ 1,975,091	\$ 1,739,696	\$ (235,395)
Transient lodging	361,325	361,325	357,722	(3,603)
Franchise	616,000	616,000	567,363	(48,637)
Business license	25,856	25,856	42,842	16,986
Licenses and permits	16,700	16,700	16,976	276
Fines and forfeitures	49,025	49,025	31,339	(17,686)
Use of money and property	35,000	35,000	76,792	41,792
Intergovernmental	7,674,428	7,674,428	7,108,513	(565,915)
Charges for services	3,775,715	3,775,715	3,881,837	106,122
Miscellaneous	111,950	111,950	149,414	37,464
Total revenues	14,641,090	14,641,090	13,972,494	(668,596)
<b>EXPENDITURES</b>				
Current:				
General government	2,740,597	2,740,597	2,546,005	194,592
Public safety	9,018,265	9,018,265	9,103,288	(85,023)
Culture and leisure	2,411,559	2,411,559	2,382,638	28,921
Community development	1,423,615	1,423,615	1,393,730	29,885
Total expenditures	15,594,036	15,594,036	15,425,661	168,375
Excess of revenues over (under) expenditures	(952,946)	(952,946)	(1,453,167)	(500,221)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	500,673	500,673	334,782	(165,891)
Transfers out	(737,500)	(737,500)	(737,500)	
Total other financing sources (uses)	(236,827)	(236,827)	(402,718)	(165,891)
Net change in fund balance	(1,189,773)	(1,189,773)	(1,855,885)	(666,112)
Fund Balance - July 1, 2016	3,667,614	3,667,614	3,667,614	
Fund Balance - June 30, 2017	\$ 2,477,841	\$ 2,477,841	\$ 1,811,729	\$ (666,112)

**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, 2017**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 52,300	\$ 52,300	\$ 31,906	\$ (20,394)
Intergovernmental	323,490	323,490		(323,490)
Total revenues	375,790	375,790	31,906	(343,884)
<b>EXPENDITURES</b>				
Current:				
Community development	323,490	323,490	9,141	314,349
Capital outlay			34,918	(34,918)
Total expenditures	323,490	323,490	44,059	279,431
Excess of revenues over (under) expenditures	52,300	52,300	(12,153)	(64,453)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out			(227,538)	(227,538)
Total other financing sources (uses)			(227,538)	(227,538)
Net change in fund balance	52,300	52,300	(239,691)	(64,453)
Fund Balance - July 1, 2016, Restated	7,669,797	7,669,797	7,595,661	(74,136)
Fund Balance - June 30, 2017	\$ 7,722,097	\$ 7,722,097	\$ 7,355,970	\$ (138,589)

**CITY OF BRAWLEY  
REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2017**

**Cost Sharing Defined Benefit Pension Plan**

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportion of the net pension liability	0.24755%	0.25640%	0.27347%
Proportionate share of the net pension liability	\$ 21,420,429	\$ 17,598,726	\$ 16,595,334
Covered payroll	\$ 8,585,302	\$ 7,584,412	\$ 7,564,276
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	249.50%	232.04%	219.39%
Plan fiduciary net position as a percentage of total pension liability	74.06%	78.40%	79.82%

***Notes to Schedule***

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

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

**CITY OF BRAWLEY  
REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2017**

**Cost Sharing Defined Benefit Pension Plan**

Schedule of Contributions – Last 10 Years\*

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

*Notes to Schedule*

Valuation Date: June 30, 2015

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 <sup>(1)</sup>	Derived using CalPERS' Membership Data for all Funds

<sup>(1)</sup>The mortality table was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

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

**CITY OF BRAWLEY**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2017**

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**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 the 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 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 year, several supplementary appropriations were necessary.



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**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUNDS**

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

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

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

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

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

**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, 2017**

	Special Revenue Funds			
	Gas Tax	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking
<b>ASSETS</b>				
Cash and investments	\$ 992,568	\$ 3,027,594	\$ 334,542	\$ 1,297
Restricted cash and investments with fiscal agents				
Interest receivable	3,260	9,152	799	4
Accounts receivable				850
Due from other governments				28
<b>Total assets</b>	<b>\$ 995,828</b>	<b>\$ 3,036,746</b>	<b>\$ 335,341</b>	<b>\$ 2,179</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 32,178	\$ 35,095	\$ 829	\$ -
Unearned revenue	317,457			
Due to other funds				
<b>Total liabilities</b>	<b>349,635</b>	<b>35,095</b>	<b>829</b>	
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Streets and roads	646,193	3,001,651	334,512	
Public safety				2,179
Community development				
CFD improvements and maintenance				
<b>Unassigned</b>				
<b>Total fund balances (deficits)</b>	<b>646,193</b>	<b>3,001,651</b>	<b>334,512</b>	<b>2,179</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 995,828</b>	<b>\$ 3,036,746</b>	<b>\$ 335,341</b>	<b>\$ 2,179</b>

Special Revenue Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
Law Enforcement	Successor Agency Housing	Assessment Districts	Streets	Development Impact	
\$ 105,327	\$ -	\$ 426,903	\$ 512,481	\$ 3,715,462	\$ 9,116,174
		85,549			85,549
325		1,652		5,206	20,398
				38	888
37,935		135,922	461,470		635,355
<u>\$ 143,587</u>	<u>\$ -</u>	<u>\$ 650,026</u>	<u>\$ 973,951</u>	<u>\$ 3,720,706</u>	<u>\$ 9,858,364</u>
\$ -	\$ 3,255	\$ 30,917	\$ 29,862	\$ -	\$ 132,136
13,668					331,125
	341				341
<u>13,668</u>	<u>3,596</u>	<u>30,917</u>	<u>29,862</u>		<u>463,602</u>
			944,089		4,926,445
129,919					132,098
				3,720,706	3,720,706
		619,109			619,109
	(3,596)				(3,596)
<u>129,919</u>	<u>(3,596)</u>	<u>619,109</u>	<u>944,089</u>	<u>3,720,706</u>	<u>9,394,762</u>
<u>\$ 143,587</u>	<u>\$ -</u>	<u>\$ 650,026</u>	<u>\$ 973,951</u>	<u>\$ 3,720,706</u>	<u>\$ 9,858,364</u>

**CITY OF BRAWLEY**

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

**NONMAJOR GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds			
	Gas Tax	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking
<b>REVENUES</b>				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services				685
Use of money and property	11,820	32,985	2,874	10
Intergovernmental	519,059	967,982	87,422	
Miscellaneous				
Total revenues	530,879	1,000,967	90,296	695
<b>EXPENDITURES</b>				
Current:				
Public safety				
Community development				
Transportation	655,811	562,323	7,585	
Capital outlay				
Total expenditures	655,811	562,323	7,585	
Excess of revenues over (under) expenditures	(124,932)	438,644	82,711	695
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Transfers out	(89,693)	(109,282)		
Total other financing sources (uses)	(89,693)	(109,282)		
Net change in fund balances	(214,625)	329,362	82,711	695
Fund Balances (Deficit) - beginning of fiscal year	860,818	2,672,289	251,801	1,484
Fund Balances (Deficit) - end of fiscal year	\$ 646,193	\$ 3,001,651	\$ 334,512	\$ 2,179

Special Revenue Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
Law Enforcement	Successor Agency Housing	Assessment Districts	Streets	Development Impact	
\$ -	\$ -	\$ 139,202	\$ -	\$ -	\$ 139,202
50,606				762,142	813,433
2,297		5,796	930	20,611	77,323
264,160		95,275	415,588		2,349,486
				104,000	104,000
317,063		240,273	416,518	886,753	3,483,444
252,717					252,717
	341	43,935	31,835	23,994	100,105
					1,225,719
172,635			1,063,009		1,235,644
425,352	341	43,935	1,094,844	23,994	2,814,185
(108,289)	(341)	196,338	(678,326)	862,759	669,259
			198,976		198,976
(255,766)		(79,017)			(533,758)
(255,766)		(79,017)	198,976		(334,782)
(364,055)	(341)	117,321	(479,350)	862,759	334,477
493,974	(3,255)	501,788	1,423,439	2,857,947	9,060,285
\$ 129,919	\$ (3,596)	\$ 619,109	\$ 944,089	\$ 3,720,706	\$ 9,394,762

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**CITY OF BRAWLEY**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2017**

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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, 2017**

	Maintenance	Risk Management	Totals
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and investments	\$ 1,776,428	\$ -	\$ 1,776,428
Interest receivable	3,108		3,108
Due from other governments	166,138	380	166,518
Notes receivable	184,105		184,105
Prepaid expenditures		145,727	145,727
Total Current Assets	<u>2,129,779</u>	<u>146,107</u>	<u>2,275,886</u>
<b>Noncurrent Assets:</b>			
<b>Capital Assets:</b>			
Construction in progress	11,138		11,138
Equipment	2,782,290		2,782,290
Total Capital Assets	2,793,428		2,793,428
Less Accumulated Depreciation	(1,488,449)		(1,488,449)
Net Capital Assets	<u>1,304,979</u>		<u>1,304,979</u>
Total Noncurrent Assets	<u>1,304,979</u>		<u>1,304,979</u>
Total Assets	<u>3,434,758</u>	<u>146,107</u>	<u>3,580,865</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	33,660	62,195	95,855
Due to other funds		105,344	105,344
Total Current Liabilities	<u>33,660</u>	<u>167,539</u>	<u>201,199</u>
<b>Noncurrent Liabilities:</b>			
Compensated absences	20,976		20,976
Claims payable		6,682	6,682
Total Noncurrent Liabilities	<u>20,976</u>	<u>6,682</u>	<u>27,658</u>
Total Liabilities	<u>54,636</u>	<u>174,221</u>	<u>228,857</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,304,979		1,304,979
Unrestricted	2,075,143	(28,114)	2,047,029
Total Net Position	<u>\$ 3,380,122</u>	<u>\$ (28,114)</u>	<u>\$ 3,352,008</u>

**CITY OF BRAWLEY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Totals</u>
<b>Revenues:</b>			
Charges for services	\$ 146,024	\$ 3,127,498	\$ 3,273,522
Total Revenues	<u>146,024</u>	<u>3,127,498</u>	<u>3,273,522</u>
<b>Expenses:</b>			
Salary and benefits	216,204		216,204
Supplies and services	205,376	3,161,062	3,366,438
Depreciation	192,612		192,612
Total Expenses	<u>614,192</u>	<u>3,161,062</u>	<u>3,775,254</u>
Operating Income (Loss)	<u>(468,168)</u>	<u>(33,564)</u>	<u>(501,732)</u>
<b>Non-Operating Revenue (Expenses)</b>			
Use of money and property	<u>202,156</u>		<u>202,156</u>
Total Non-Operating Revenue	<u>202,156</u>		<u>202,156</u>
Net Income (Loss) Before Transfers	<u>(266,012)</u>	<u>(33,564)</u>	<u>(299,576)</u>
Transfers in	<u>737,500</u>		<u>737,500</u>
Change in Net Assets	471,488	(33,564)	437,924
Net Position - Beginning of Fiscal Year, Restated	<u>2,908,634</u>	<u>5,450</u>	<u>2,914,084</u>
Net Position - End of Fiscal Year	<u>\$ 3,380,122</u>	<u>\$ (28,114)</u>	<u>\$ 3,352,008</u>

**CITY OF BRAWLEY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2017**

	Maintenance	Risk Management	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from users	\$ 146,024	\$ 3,127,498	\$ 3,273,522
Cash payments to suppliers and contractors	(83,129)	(1,939,024)	(2,022,153)
Cash payments for employees and benefit programs	(216,204)		(216,204)
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>(153,309)</b>	<b>1,188,474</b>	<b>1,035,165</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Transfers	737,500		737,500
Loan repayment	122,386		122,386
Interfund borrowing (repayment)		(1,188,094)	(1,188,094)
Intergovernmental revenue (expense)	671	(380)	291
<b>Net Cash Provided (Used) By Non-Capital Financing Activities</b>	<b>860,557</b>	<b>(1,188,474)</b>	<b>(327,917)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of capital assets	(11,138)		(11,138)
<b>Net Cash Provided (Used) By Capital and Related Financing Activities</b>	<b>(11,138)</b>		<b>(11,138)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	200,822		200,822
<b>Net Cash Provided In Investing Activities</b>	<b>200,822</b>		<b>200,822</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>896,932</b>		<b>896,932</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR</b>	<b>879,496</b>		<b>879,496</b>
<b>CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR</b>	<b>\$ 1,776,428</b>	<b>\$ -</b>	<b>\$ 1,776,428</b>
<b>Reconciliation with Statement of Net Position</b>			
Cash and investments	\$ 1,776,428	\$ -	\$ 1,776,428
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 1,776,428</b>	<b>\$ -</b>	<b>\$ 1,776,428</b>

(Continued)

**CITY OF BRAWLEY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2017 (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)	\$ (468,168)	\$ (33,564)	\$ (501,732)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Depreciation	192,612		192,612
(Increase) Decrease prepaid expenditures	88,587	1,207,137	1,295,724
Increase (Decrease) accounts payable and accrued liabilities	33,660	14,901	48,561
Total Adjustments	314,859	1,222,038	1,536,897
Net Cash Provided (Used) By Operating Activities	\$ (153,309)	\$ 1,188,474	\$ 1,035,165