

CITY OF BRAWLEY
Brawley, California

Annual Financial Report
For the Fiscal Year Ended June 30, 2015

San Diego

Los Angeles

San Francisco
Bay Area

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

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FOR THE YEAR ENDED JUNE 30, 2015**

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
City of Brawley
Brawley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Brawley, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Brawley'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 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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Brawley as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

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State Board of Accountancy

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as the budgetary comparison information on pages 46 through 47 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City of Brawley's financial statements for the year ended June 30, 2013, from which such partial information was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016 on our consideration of the City of Brawley'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 of Brawley's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
March 14, 2016

CITY OF BRAWLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The City of Brawley, California (the City) is located in the County of Imperial in the southeastern part of the State of California. The City is situated approximately 210 miles southeast of Los Angeles and 30 miles north of the international border with Mexico. Brawley is a general law city incorporated in 1908 as a Council/Manager form of government. The City has faced fiscal challenges during fiscal year 2015 attributable to the loss of its largest utility customer, National Beef, and water conservation measures mandated as part of the State of California's drought emergency declaration. However, the City is slowly seeing an improvement in the local economy with observed increases in building permit activity.

The City of Brawley has demonstrated fiscal stability despite its economic challenges. The City's fiscal highlights are presented below:

FINANCIAL HIGHLIGHTS

Financial highlights of fiscal year ended June 30, 2015 include the following:

Government-wide:

- The City's total net position was \$95,502,065 as of June 30, 2015. Of this total, \$36,439,779 was governmental net position and \$59,062,286 was business-type net position.
- Government-wide revenues include program revenues of \$ 12,355,441 and general revenues and transfers of \$10,801,141, for a total of \$ 23,156,582.
- Government-wide expenses were \$23,255,498.
- Business-type program revenues and interest were \$13,878,215 while business-type expenses and transfers were \$12,872,252.

Fund Level:

- Governmental fund balances *increased* \$650,194 in fiscal year 2015 before prior period adjustments.
- Governmental fund revenues *decreased* \$3,151,615 in fiscal year 2015 mainly due to the decrease of discretionary intergovernmental revenue.
- Governmental fund expenditures *decreased* \$3,288,881 in fiscal year 2015 mainly due to the decrease of expenditures on projects with discretionary funding.

General Fund:

- General Fund revenues of \$14,046,404 were similar to the prior fiscal year.
- General Fund expenditures of \$14,202,148 were similar to the prior fiscal year.
- General Fund fund balance of \$4,916,355 as of June 30, 2015, *increased* by \$44,675 from 2014 fiscal year's fund balance of \$4,871,680.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is divided into five parts:

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

Government-wide Financial Statements

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

CITY OF BRAWLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The City reports 3 major enterprise funds

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

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

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

CITY OF BRAWLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

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

Table 1

	Governmental Activities 2015	Governmental Activities 2014
<u>Assets</u>		
Cash and investments	\$ 25,151,066	\$ 23,193,355
Other assets	11,083,000	14,017,304
Capital assets, net	30,780,503	30,579,978
Total Assets	67,014,569	67,790,637
<u>Deferred Outflows of Resources</u>		
Adjustments	66,930	
Contributions	1,685,602	
Total Def. Outflows	1,752,532	
<u>Liabilities</u>		
Long term liabilities	16,122,140	1,317,612
Other liabilities	3,400,941	4,150,105
Total Liabilities	19,523,081	5,467,717
<u>Deferred Inflows of Resources</u>		
Unearned revenue	9,272,727	9,253,605
Pension earnings	3,531,514	
Total Def. Inflows	12,804,241	9,253,605
<u>Net Position</u>		
Net investment in capital assets	30,742,723	30,524,874
Restricted	16,465,831	7,592,137
Unrestricted	(10,768,775)	14,952,304
Total Net Position	\$ 36,439,779	\$ 53,069,315

The City's governmental net position amounted to \$36,439,779 as of June 30, 2015, a decrease of \$98,916 from 2014 not including prior period adjustments. This decrease in the change in net position is reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The City's net position as of June 30, 2015 comprised the following:

Cash and investments comprised **\$25,151,066**. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements.

Receivables comprised **\$3,008,071** of current receivables and loans receivable of **\$8,074,929** that is due over longer periods of time as explained the Notes.

Capital assets of **\$30,780,503** net of depreciation charges, which included all the City's capital assets used in governmental activities.

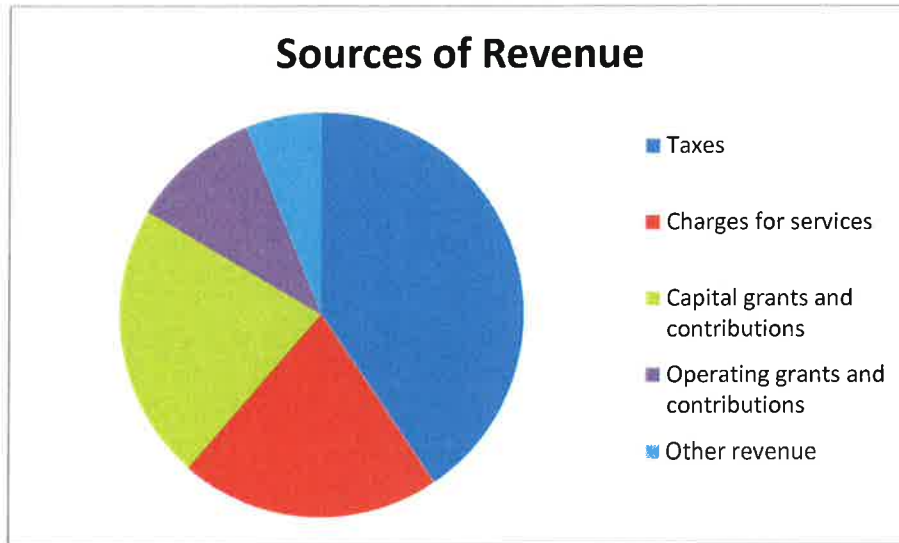
Current liabilities, including accounts payable, claims and other amounts due currently, totaled **\$3,400,941**.

Long-term liabilities of **\$16,122,140** includes the net pension liability but not the current portion of long term debt.

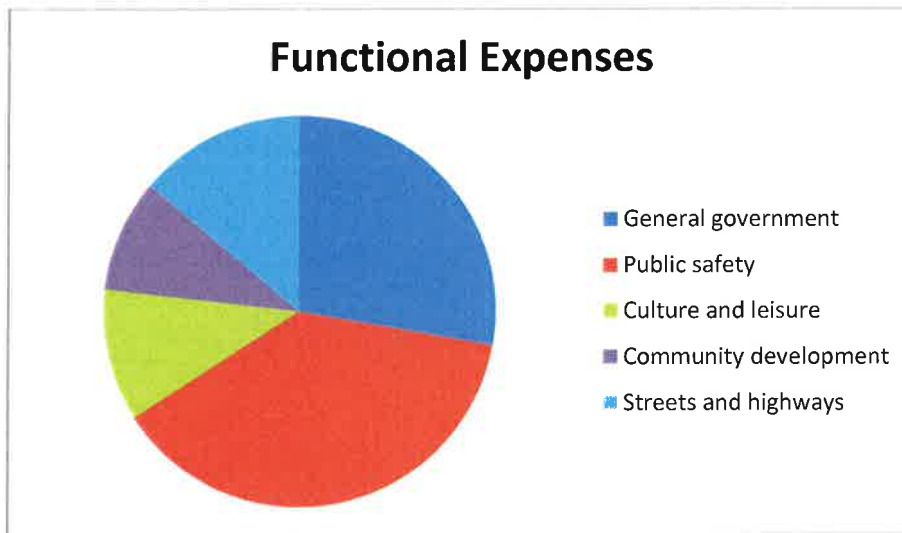
CITY OF BRAWLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net investment in capital assets of **\$30,742,723**, representing the City's investment in capital assets used in governmental activities, net of accumulated depreciation and amounts borrowed to finance those investments.

Unrestricted net position, the part of net positions that can be used to finance day to day operations without constraints established by debt covenants or other legal requirements or restrictions, was \$ **(10,768,775)** as of June 30, 2015 due to the introduction of the net pension liability.



As the Sources of Revenue chart above shows, \$9,384,589, or 40% of the City's fiscal year 2015 governmental activities revenue came from taxes, while \$4,817,367, or 21% came from charges for services, \$5,137,702 or 22%, came from capital grants and contributions, \$2,400,372 or 10% came from operating grants and contributions, and the remainder came from a variety of sources.



The Functional Expenses chart above includes only current year expenses; it does not include capital outlays, which are added to the City's capital assets. As the chart shows, general government was \$6,457,778, or 28%, of total governmental expenses, public safety was \$8,862,015, or 38%, culture and leisure was \$2,543,112, or 11%, community development was \$2,171,056, or 9%, and streets and highways was \$3,221,537 or 14%.

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

CITY OF BRAWLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Table 2
CHANGE IN GOVERNMENTAL NET POSITION

	Governmental Activities 2015	Governmental Activities 2014
Expenses		
General government	\$ 6,457,778	\$ 5,926,113
Public safety	8,862,015	8,344,837
Culture and leisure	2,543,112	2,516,465
Community development	2,171,056	2,060,095
Streets and highways	3,221,537	2,924,705
Total Expenses	23,255,498	21,772,215
Revenues		
Program revenues		
Charges for services	4,817,367	6,369,340
Operating grants and contributions	2,400,372	2,353,264
Capital grants and contributions	5,137,702	5,604,061
Total program revenues	12,355,441	14,326,665
General revenues and transfers		
Taxes	9,384,589	8,773,508
Use of money and property	851,955	718,531
Other revenue	564,597	1,300,540
Total general revenues and transfers	10,801,141	10,792,579
Total Revenues and Transfers	23,156,582	25,119,244
Change in Net Position	\$ (98,916)	\$ 3,347,029

As Table 2 above shows, \$12,355,441 or 53%, of the City's fiscal year 2015 governmental revenue, came from program revenues and \$10,801,141, or 47%, came from general revenues such as taxes and interest and transfers. Program revenues were composed of charges for services of \$4,817,367, which included permit revenues, fees and charges used to fund expenses incurred in providing services; \$2,400,372 of operating grants and contributions, which included gas tax revenues and housing and police grants; and capital grants and contributions of \$5,137,702, that consisted mainly of street project grants and developer impact fees restricted to capital outlay.

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

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

CITY OF BRAWLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Table 3
GOVERNMENTAL ACTIVITIES

	Net Revenue (Expense) from Services 2015	Net Revenue (Expense) from Services 2014
General government	\$ (3,861,146)	\$ (1,929,190)
Public safety	(6,887,463)	(6,265,592)
Community development	(1,635,228)	(1,664,664)
Public works	1,122,443	1,772,403
Parks and recreation	361,337	641,493
Total	\$ (10,900,057)	\$ (7,445,550)

BUSINESS-TYPE ACTIVITIES

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

Table 4
BUSINESS-TYPE NET POSITION AT JUNE 30, 2015

	Business-type Activities 2015	Business-type Activities 2014
Assets		
Cash and investments	\$ 16,480,196	\$ 15,991,101
Other assets	764,384	2,751,053
Capital assets, net	68,080,661	69,258,389
Total Assets	85,325,241	88,000,543
Deferred Outflows of Resources		
Adjustments	7,997	
Contributions	201,388	
Total Def. Outflows	209,385	
Liabilities		
Long term liabilities	22,587,760	22,553,074
Other liabilities	3,462,651	5,390,201
Total Liabilities	26,050,411	27,943,275
Deferred Inflows of Resources		
Pension earnings	421,929	
Total Def. Inflows	421,929	
Net Position		
Net investment in capital assets	44,147,547	44,935,786
Restricted	618,780	611,854
Unrestricted	14,295,959	14,509,628
Total Net Position	\$ 59,062,286	\$ 60,057,268

The net position of business-type activities increased by **\$1,005,963** in fiscal year 2015 not including prior period adjustments related to net pension liability.

CITY OF BRAWLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

BUSINESS-TYPE ACTIVITIES (continued)

Table 5
CHANGE IN BUSINESS-TYPE NET POSITION

	Net Revenue (Expense) from Services 2015	Net Revenue (Expense) from Services 2014
Water	\$ (662,045)	\$ 529,965
Wastewater	355,536	1,401,367
Solid Waste	8,587	138,681
Airport	238,156	2,414,252
Total	\$ (59,766)	\$ 4,484,265

ANALYSIS OF MAJOR FUNDS

Governmental Funds

General Fund

General Fund revenues and expenditures remain largely unchanged from the prior fiscal year. Actual revenues were lower than budgeted by **\$2,226,272** due to the accounting presentation of \$2 million of project specific funds held in the General Fund related to bond settlement priorities. At the close of the fiscal year, it was determined more accurate and transparent to present project specific funds in the fund that incurred the actual expense. Tax revenues were similar to the prior fiscal year. Charges for services, licenses and permits were also similar to the operating results of the prior fiscal year.

General Fund expenditures were **\$14,202,148**, an increase of \$147,843 from the prior year. Expenditures increased mainly due to rising public safety contract costs.

As of June 30, 2015 the General Fund's fund balance totaled **\$4,916,355**. The unassigned portion of **\$4,853,345** of the fund balances represents available liquid resources.

Economics and Community Development Special Revenue Fund

This fund is utilized to track deferred loans receivable. There wasn't significant activity during the fiscal year other than the reclassification of unearned revenue to restricted fund balance in relation to the loans receivable.

SB 325 Special Revenue Fund

This fund accounts for the revenue received by the City under SB 325 for public transportation. Funds are still being held for future projects and there were no significantly activities during the fiscal year.

Public Facilities Capital Projects Fund

CITY OF BRAWLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

ANALYSIS OF MAJOR FUNDS (continued)

Proprietary Funds

Water Fund

Operating revenues decreased by **\$1,610,068** in fiscal year 2015 and expenses increased by **\$82,707** resulting in a net operating loss of **\$12,344**. This was due to the loss of its largest utility customer, National Beef, and water conservation measures mandated as part of the State of California's drought emergency declaration. Operating Expenditures were not impacted by the loss. The City continues to encounter challenges as a result of the age of the water distribution system, requiring emergency repairs to water lines.

The fund's net position decreased by **\$114,652** before prior period adjustments of (\$1,207,812), to a new total of **\$20,446,001**. Of this amount, **\$15,715,169** was net investment in capital assets.

Wastewater Fund

Operating revenues decreased **\$1,122,735** in the fiscal year 2015. Operating expenses increased by **\$297,154** due to increasing maintenance costs. The fund's net position increased by **\$733,669** in fiscal year 2015 before prior period adjustment (\$793,133). This decrease in revenue was also due to the loss of National Beef as stated above along. Operating expenses increased due to the increasing operational costs of compensation, insurance, rent and other services, in addition to supplies and materials required for operation of the Wastewater system.

As of June 30, 2015, the fund's net position was **\$31,841,132**, of which **\$21,880,946** was net investment in capital assets, **\$618,780** was restricted for debt service and **\$9,341,406** was unrestricted.

CAPITAL ASSETS

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

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

In fiscal year 2015, the City reported the cost of all its infrastructure assets and computed the amounts of accumulated depreciation for these assets based on their original acquisition dates. At the end of fiscal year 2015, the cost of infrastructure and other capital assets recorded on the City's financial statements is as shown in Table 6 on the following page.

CITY OF BRAWLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Table 6

	Balance as of July 1, 2014	Additions	Deletions	Transfers	Prior Period Adjustments	Balance as of June 30, 2015
Governmental Activities						
Nondepreciable capital assets						
Land	\$ 966,706	\$ -	\$ -	\$ -	\$ -	\$ 966,706
Construction in progress	5,414,099	1,161,822		(4,286,017)		2,289,904
Total nondepreciable capital assets	6,380,805	1,161,822	-	(4,286,017)		3,256,610
Depreciable capital assets						
Equipment	7,438,614	1,186,650		103,211	417,123	9,145,598
Buildings	12,036,575					12,036,575
Improvements other than buildings	12,525,977					12,525,977
Infrastructure	15,859,854	271,927		4,182,806		20,314,587
Total depreciable capital assets	47,861,020	1,458,577	-	4,286,017	417,123	54,022,737
Less accumulated depreciation						
Equipment	(5,940,186)	(515,329)				(6,455,515)
Buildings	(3,073,680)	(396,676)				(3,470,356)
Improvements other than buildings	(4,245,241)	(715,392)				(4,960,633)
Infrastructure	(10,402,740)	(1,209,600)				(11,612,340)
Total accumulated depreciation	(23,661,847)	(2,836,997)	-			(26,498,844)
Net depreciable capital assets	24,199,173	(1,378,420)	-	4,286,017	417,123	27,523,893
Net capital assets	\$ 30,579,978	\$ (216,598)	\$ -	\$ -	\$ 417,123	\$ 30,780,503

Table 7

	Balance as of July 1, 2014	Additions	Deletions	Transfers	Balance as of June 30, 2015
Business-type Activities					
Nondepreciable capital assets					
Land	\$ 37,076	\$ -	\$ -	\$ -	\$ 37,076
Construction in progress	3,215,298	138,854		(3,247,608)	106,544
Total nondepreciable capital assets	3,252,374	138,854		(3,247,608)	143,620
Depreciable capital assets					
Equipment	2,842,545	161,116			3,003,661
Buildings	56,462,194				56,462,194
Improvements other than buildings	6,522,329	958,154		3,247,608	10,728,091
Conveyance systems	34,714,528	109,045			34,823,573
Total depreciable capital assets	100,541,596	1,228,315		3,247,608	105,017,519
Less accumulated depreciation					
Equipment	(1,885,162)	(122,235)			(2,007,397)
Buildings	(14,939,686)	(1,421,164)			(16,360,850)
Improvements other than buildings	(3,051,228)	(281,881)			(3,333,109)
Conveyance systems	(14,659,504)	(719,618)			(15,379,122)
Total accumulated depreciation	(34,535,580)	(2,544,898)			(37,080,478)
Net depreciable capital assets	66,006,016	(1,316,583)		3,247,608	67,937,041
Net capital assets	\$ 69,258,390	\$ (1,177,729)	\$ -	\$ -	\$ 68,080,661

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

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

CITY OF BRAWLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

DEBT ADMINISTRATION

The City issued no new bonded debt in fiscal year 2015. The City made all scheduled repayments of existing debt. The City's debt issues are discussed in detail in Notes of the financial statements. The City's debt balances as of June 30 were as follows:

Table 8
LONG-TERM LIABILITIES

	Balance as of July 1, 2014	Prior Period Adjustment	Additions	Reductions	Balance as of June 30, 2015	Due Within One Year
Governmental Activities:						
Capital lease	55,104			(17,234)	37,870	18,344
Net pension liability		18,339,229	6,055,017	(9,570,040)	14,824,206	
Compensated absences	1,278,698			(193,610)	1,085,088	
Total long-term liabilities	<u>\$ 1,333,802</u>	<u>\$ 18,339,229</u>	<u>\$ 6,055,017</u>	<u>\$ (9,780,884)</u>	<u>\$ 15,947,164</u>	<u>\$ 18,344</u>

	Balance as of July 1, 2014	Prior Period Adjustment	Additions	Reductions	Balance as of June 30, 2015	Due Within One Year
Business-type Activities:						
Contracts payable	\$ 8,971,640		\$ -	\$ (1,155,624)	\$ 7,816,016	\$ 1,159,765
Deferred gain	695,376			(170,936)	524,440	148,228
Unamortized discount	(1,052,838)			256,921	(795,917)	(223,975)
Certificates of participation	430,000			(210,000)	220,000	220,000
Unamortized discount	(4,246)			3,138	(1,108)	(1,108)
Revenue bonds payable	2,535,000			(185,000)	2,350,000	195,000
Unamortized premium	13,891			(2,307)	11,584	2,165
Bonds payable	57,400			(18,100)	39,300	19,100
CSWRCB Loan	13,313,879			(678,712)	12,635,167	685,500
Net pension liability		2,191,087	723,427	(1,143,385)	1,771,129	
Compensated absences	262,364			(40,544)	221,820	
Total long-term liabilities	<u>\$ 25,222,466</u>	<u>\$ 2,191,087</u>	<u>\$ 723,427</u>	<u>\$ (3,344,549)</u>	<u>\$ 24,792,431</u>	<u>\$ 2,204,675</u>

CITY OF BRAWLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

ECONOMIC CONDITION, OUTLOOK AND ACTIVITY

The City of Brawley experienced financial setbacks in fiscal year 2015, as has the County of Imperial region as a whole. However, during this period, signs of the economy's improvement have been observed throughout California and the United States. Positive change in the economy is beginning to reach the southeastern corner of the State in which Brawley is located. Property assessment is on the rise and construction activity is increasing. It is noted that Brawley's potential for commercial and residential growth is significant given its capacity to provide water and sewer services, the availability of land within City limits and associated land use entitlements. Overall, the City appears to be strongly positioned for economic development activities that support future commerce and job generation.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF BRAWLEY
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 25,079,902	\$ 15,842,695	\$ 40,922,597
Restricted cash and investments with fiscal agents	71,164	637,501	708,665
Accounts receivable	567,766	732,690	1,300,456
Interest receivable	501,898	18,884	520,782
Notes receivable	8,194,929		8,194,929
Internal balances			
Due from other governments	1,938,407	12,810	1,951,217
Deferred charges			
Prepaid expenses			
Capital assets not being depreciated	3,256,610	143,622	3,400,232
Capital assets, net of accumulated depreciation	<u>27,523,893</u>	<u>67,937,039</u>	<u>95,460,932</u>
 Total assets	 <u>67,134,569</u>	 <u>85,325,241</u>	 <u>152,459,810</u>
DEFERRED OUTFLOWS OF RESOURCES			
Differences due to changes in proportionate share of NPL	66,930	7,997	74,927
City's pension contributions subsequent to the measurement date	<u>1,685,602</u>	<u>201,388</u>	<u>1,886,990</u>
 Total deferred outflows of resources	 <u>1,752,532</u>	 <u>209,385</u>	 <u>1,961,917</u>
LIABILITIES			
Accounts payable	875,330	524,639	1,399,969
Accrued interest payable	1,210	59,522	60,732
Deposits payable	2,506,057	673,815	3,179,872
Unearned revenue			
Noncurrent liabilities:			
Due within one year	18,344	2,204,675	2,223,019
Due in more than one year	<u>16,122,140</u>	<u>22,587,760</u>	<u>38,709,900</u>
 Total liabilities	 <u>19,523,081</u>	 <u>26,050,411</u>	 <u>45,573,492</u>
DEFERRED INFLOWS OF RESOURCES			
Differences between projected and actual earnings on pension plan investments	3,531,514	421,929	3,953,443
Unearned revenue	<u>9,272,727</u>		<u>9,272,727</u>
 Total deferred inflows of resources	 <u>12,804,241</u>	 <u>421,929</u>	 <u>13,226,170</u>
NET POSITION			
Net investment in capital assets	30,742,723	44,147,547	74,890,270
Restricted for:			
Public safety	563,499		563,499
Community development	11,015,233		11,015,233
Culture and leisure	63,010		63,010
Debt service		618,780	618,780
Streets and roads	4,944,089		4,944,089
Unrestricted	<u>(10,768,775)</u>	<u>14,295,959</u>	<u>3,527,184</u>
 Total net position	 <u>\$ 36,559,779</u>	 <u>\$ 59,062,286</u>	 <u>\$ 95,622,065</u>

See Notes to Basic Financial Statements

CITY OF BRAWLEY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 6,457,778	\$ 948,652	\$ 99,658	\$ 1,548,322
Public safety	8,862,015	756,821	805,145	412,586
Culture and leisure	2,543,112	409,682	99,658	398,544
Community development	2,051,056	1,542,365	500,289	1,250,845
Streets and highways	3,221,537	1,159,847	895,622	1,527,405
Total governmental activities	<u>23,135,498</u>	<u>4,817,367</u>	<u>2,400,372</u>	<u>5,137,702</u>
Business-type Activities:				
Water	6,327,046	5,665,001		
Wastewater	4,624,377	4,592,026		387,887
Solid Waste	1,314,221	1,322,808		
Airport	606,608			844,764
Total business-type activities	<u>12,872,252</u>	<u>11,579,835</u>		<u>1,232,651</u>
Total primary government	<u>\$ 36,007,750</u>	<u>\$ 16,397,202</u>	<u>\$ 2,400,372</u>	<u>\$ 6,370,353</u>

General Revenues:

Taxes:

Utility users taxes
Transient lodging taxes
Franchise taxes
Business license taxes

Intergovernmental (unrestricted):

Shared property taxes
Shared sales and use taxes
Motor vehicle license fees
Other

Use of money and property

Total general revenues

Change in net 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
\$ (3,861,146)	\$ -	\$ (3,861,146)
(6,887,463)		(6,887,463)
(1,635,228)		(1,635,228)
1,242,443		1,242,443
361,337		361,337
(10,780,057)		(10,780,057)
	(662,045)	(662,045)
	355,536	355,536
	8,587	8,587
	238,156	238,156
	(59,766)	(59,766)
(10,780,057)	(59,766)	(10,839,823)
1,978,806		1,978,806
334,776		334,776
615,888		615,888
25,856		25,856
3,690,861		3,690,861
2,738,402		2,738,402
11,369		11,369
553,228		553,228
851,955	1,065,729	1,917,684
10,801,141	1,065,729	11,866,870
21,084	1,005,963	1,027,047
53,069,315	60,057,268	113,126,583
(16,530,620)	(2,000,945)	(18,531,565)
36,538,695	58,056,323	94,595,018
\$ 36,559,779	\$ 59,062,286	\$ 95,622,065

CITY OF BRAWLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Economic & Community Development	SB 325
ASSETS			
Cash and investments	\$ 6,511,798	\$ 620,340	\$ 9,452,898
Restricted cash and investments with fiscal agents		9,606	
Interest receivable	5,594	637	11,817
Accounts receivable	30,617		
Due from other governments	711,986	19,664	
Due from other funds	210,223		
Notes receivable		<u>8,074,296</u>	
 Total assets	 <u>\$ 7,470,218</u>	 <u>\$ 8,724,543</u>	 <u>\$ 9,464,715</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 361,609	\$ -	\$ 4,426
Deposits payable	2,179,715		326,342
Due to other funds			
 Total liabilities	 <u>2,541,324</u>		 <u>330,768</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	<u>12,539</u>		<u>9,000,000</u>
 Total deferred inflows of resources	 <u>12,539</u>		 <u>9,000,000</u>
 Total liabilities and deferred inflows of resources	 <u>2,553,863</u>		 <u>9,330,768</u>
Fund balances:			
Restricted for:			
Streets and roads			133,947
Public safety			
Community development		8,724,543	
Assessment districts			
Parks and recreation			
Library	63,010		
Unassigned	<u>4,853,345</u>		
 Total fund balances	 <u>4,916,355</u>	 <u>8,724,543</u>	 <u>133,947</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 7,470,218</u>	 <u>\$ 8,724,543</u>	 <u>\$ 9,464,715</u>

See Notes to Basic Financial Statements

Other Governmental Funds	Total Governmental Funds
\$ 7,662,705	\$ 24,247,741
61,558	71,164
8,032	26,080
850	31,467
469,899	1,201,549
	210,223
	8,074,296
<u>\$ 8,203,044</u>	<u>\$ 33,862,520</u>

\$ 199,489	\$ 565,524
	2,506,057
146,031	146,031
<u>345,520</u>	<u>3,217,612</u>

<u>260,188</u>	<u>9,272,727</u>
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<u>260,188</u>	<u>9,272,727</u>
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<u>605,708</u>	<u>12,490,339</u>
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4,810,142	4,944,089
563,499	563,499
1,865,102	10,589,645
425,588	425,588

	-
	63,010
<u>(66,995)</u>	<u>4,786,350</u>

<u>7,597,336</u>	<u>21,372,181</u>
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<u>\$ 8,203,044</u>	<u>\$ 33,862,520</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, 2015

Fund balances of governmental funds	\$ 21,372,181
Amounts reported for governmental activities in the statement of net position are different because:	
Certain receivables are not available to pay for current period expenditures and, therefore are not reported as governmental fund assets.	536,299
Capital assets net of accumulated depreciation have not been included as financial resources in the governmental funds.	29,161,393
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions 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 are reported.	
City's pension contributions subsequent to the measurement date	1,685,602
Differences due to changes in proportionate share of NPL	66,930
Differences between projected and actual earnings on pension plan investments	(3,531,514)
Long-term debt and compensated absences have not been included in the governmental funds.	
Long-term debt	(37,780)
Net pension liability	(14,824,206)
Compensated absences	(1,257,407)
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.	(1,210)
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.	2,915,199
In governmental funds, certain accrued interest receivable on notes receivable are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds.	<u>474,292</u>
Net position of governmental activities	<u>\$ 36,559,779</u>

See Notes to Basic Financial Statements

CITY OF BRAWLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	General	Economic & Community Development	SB 325
REVENUES			
Taxes:			
Utility users	\$ 1,978,806	\$ -	\$ -
Transient lodging	334,776		
Franchise	615,888		
Business license	25,856		
Property			
Licenses and permits	23,010		
Fines and forfeitures	48,660		
Use of money and property	73,415	84,063	47,808
Intergovernmental	6,993,860	203,333	
Charges for services	3,684,635		
Miscellaneous	267,498		
Total revenues	<u>14,046,404</u>	<u>287,396</u>	<u>47,808</u>
EXPENDITURES			
Current:			
General government	2,337,336		
Public safety	8,132,772		
Culture and leisure	2,227,347		
Community development	1,479,657	123,889	
Transportation			
Capital outlay	25,036		
Total expenditures	<u>14,202,148</u>	<u>123,889</u>	
Excess of revenues over (under) expenditures	<u>(155,744)</u>	<u>163,507</u>	<u>47,808</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	200,419		
Transfers out			
Total other financing sources (uses)	<u>200,419</u>		
Net change in fund balances	<u>44,675</u>	<u>163,507</u>	<u>47,808</u>
Fund Balances - July 1, 2014	4,628,152	125,146	86,139
Prior Period Adjustments	<u>243,528</u>	<u>8,435,890</u>	
Fund Balances - July 1, 2014, Restated	<u>4,871,680</u>	<u>8,561,036</u>	<u>86,139</u>
Fund Balances - June 30, 2015	<u>\$ 4,916,355</u>	<u>\$ 8,724,543</u>	<u>\$ 133,947</u>

See Notes to Basic Financial Statements

Other Governmental Funds	Totals
\$ -	\$ 1,978,806
	334,776
	615,888
	25,856
108,977	108,977
	23,010
	48,660
33,384	238,670
3,740,816	10,938,009
563,844	4,248,479
35,262	302,760
<u>4,482,283</u>	<u>18,863,891</u>
	2,337,336
228,509	8,361,281
143,967	2,371,314
241,540	1,845,086
1,749,859	1,749,859
1,403,785	1,428,821
<u>3,767,660</u>	<u>18,093,697</u>
<u>714,623</u>	<u>770,194</u>
	200,419
<u>(200,419)</u>	<u>(200,419)</u>
<u>(200,419)</u>	
<u>514,204</u>	<u>770,194</u>
7,317,399	12,156,836
<u>(234,267)</u>	<u>8,445,151</u>
<u>7,083,132</u>	<u>20,601,987</u>
<u>\$ 7,597,336</u>	<u>\$ 21,372,181</u>

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, 2015

Net change in fund balances - total governmental funds	\$ 770,194
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 depreciation exceeds capital outlay in the current period.	(1,373,219)
Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. When the note is collected it is reflected in revenue. This amount is the net change between notes receivable collected and issued.	(23,288)
Interest accrued on certain notes receivable are not reported as revenue on the governmental funds as they do not provide the City with current financial resources. When the interest is collected when the note becomes due, the amounts will be reflect in revenue. This is the amount of additional interest accrued in the current period.	4,968
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net position.	
Repayment of capital lease	17,324
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	551
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was:	353,816
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>270,738</u>
Change in net position of governmental activities	<u>\$ 21,084</u>

See Notes to Basic Financial Statements

CITY OF BRAWLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015
with Comparative Statement as of June 30, 2014

	Business-type Activities Enterprise Funds			
	Water		Wastewater	
	Current Year	Prior Year	Current Year	Prior Year
ASSETS				
Current Assets:				
Cash and investments	\$ 5,240,714	\$ 5,218,186	\$ 10,372,664	\$ 10,130,262
Accounts receivable, net	699,979	808,644		
Interest receivable	6,141	2,525	12,571	4,801
Due from other governments			2,947	43,401
Deferred charges				
Notes receivable				
Total current assets	<u>5,946,834</u>	<u>6,029,355</u>	<u>10,388,182</u>	<u>10,178,464</u>
Noncurrent Assets:				
Restricted cash and investments with fiscal agents			637,501	637,501
Advances to other funds			1,401,223	1,503,531
Capital assets not being depreciated	115	115	141,557	35,011
Construction in progress				
Capital assets, net of accumulated depreciation	<u>27,013,004</u>	<u>28,097,488</u>	<u>34,374,553</u>	<u>34,865,550</u>
Total noncurrent assets	<u>27,013,119</u>	<u>28,097,603</u>	<u>36,554,834</u>	<u>37,041,593</u>
Deferred Outflows of Resources:				
Differences due to changes in proportionate share of NPL	4,866		3,131	
City's pension contributions subsequent to the measurement date	<u>122,547</u>		<u>78,841</u>	
Total Deferred Outflows of Resources	<u>127,413</u>		<u>81,972</u>	
Total assets and deferred outflows of resources	<u>33,087,366</u>	<u>34,126,958</u>	<u>47,024,988</u>	<u>47,220,057</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	275,628	159,763	205,189	49,052
Interest payable	40,801	88,898	18,721	25,647
Deposits payable	660,985	571,240	8,310	8,310
Deferred revenue		49,075		
Due to other funds				
Current portion of long term debt	<u>1,138,068</u>	<u>1,615,746</u>	<u>1,066,607</u>	<u>1,053,648</u>
Total current liabilities	<u>2,115,482</u>	<u>2,484,722</u>	<u>1,298,827</u>	<u>1,136,657</u>
Noncurrent liabilities:				
Compensated absences	109,252	152,349	112,568	110,015
Claims payable				
Contracts payable, net of deferred gain and unamortized discount	5,393,979	5,817,007	1,066,545	1,228,760
Certificates of participation, net of unamortized discount				208,892
Revenue bonds payable, net of unamortized premium	2,164,419	2,361,584		
Advances from other funds	1,401,223	1,503,531		
Net Pension Liability	1,077,753		693,376	
Bonds payable	<u>20,200</u>	<u>39,300</u>	<u>11,949,668</u>	<u>12,635,167</u>
Total noncurrent liabilities	<u>10,166,826</u>	<u>9,873,771</u>	<u>13,822,157</u>	<u>14,182,834</u>
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments	256,749		165,180	
Total Deferred Inflows of Resources	<u>256,749</u>		<u>165,180</u>	
Total liabilities and deferred inflows of resources	<u>12,539,057</u>	<u>12,358,493</u>	<u>15,286,164</u>	<u>15,319,491</u>
NET POSITION				
Net investment in capital assets	15,817,477	16,760,435	21,778,638	21,915,126
Restricted for debt service			618,780	611,854
Unrestricted	<u>4,730,832</u>	<u>5,008,030</u>	<u>9,341,406</u>	<u>9,373,586</u>
Total net position	<u>\$ 20,548,309</u>	<u>\$ 21,768,465</u>	<u>\$ 31,738,824</u>	<u>\$ 31,900,566</u>

See Notes to Basic Financial Statements

Business-type Activities Enterprise Funds					Governmental Activities Internal Service Funds
Solid Waste		Airport		Current Year Totals	
Current Year	Prior Year	Current Year	Prior Year		
\$ -	\$ 5,152	\$ 229,317	\$ -	\$ 15,842,695	\$ 832,161
32,711	11,864			732,690	
	7,080	172	43	18,884	1,526
		9,863	2,367,140	12,810	736,858
					120,633
32,711	24,096	239,352	2,367,183	16,607,079	1,691,178
				637,501	
				1,401,223	
		1,950	1,950	143,622	
		6,549,482	3,042,977	67,937,039	1,619,110
		6,551,432	6,260,225	70,119,385	1,619,110
				7,997	
				201,388	
				209,385	
32,711	24,096	6,790,784	8,627,408	86,935,849	3,310,288
28		43,794	1,764,342	524,639	303,124
		4,520	4,480	59,522	
			494,445	673,815	
				2,204,675	64,192
28		48,314	2,263,267	3,462,651	367,316
				221,820	21,091
					6,682
				6,460,524	
				2,164,419	
				1,401,223	
				1,771,129	
				11,969,868	
				23,988,983	27,773
				421,929	
				421,929	
28		48,314	2,263,267	27,873,563	395,089
		6,551,432	6,260,225	44,147,547	1,619,110
				618,780	
32,683	24,096	191,038	103,916	14,295,959	1,296,089
\$ 32,683	\$ 24,096	\$ 6,742,470	\$ 6,364,141	\$ 59,062,286	\$ 2,915,199

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

For the Fiscal Year Ended June 30, 2015

with Comparative Statements for the Fiscal Year Ended June 30, 2014

	Business-Type Activities Enterprise Funds			
	Water		Wastewater	
	Current Year	Prior Year	Current Year	Prior Year
Operating Revenues:				
Charges for services (net of refunds)	\$ 5,255,438	\$ 6,865,506	\$ 4,592,026	\$ 5,714,761
Use of money and property				
Total operating revenues	<u>5,255,438</u>	<u>6,865,506</u>	<u>4,592,026</u>	<u>5,714,761</u>
Operating Expenses:				
Salary and benefits	1,303,009	1,433,116	752,085	721,341
Administration	362,700	387,500	273,500	282,500
Supplies and services	3,048,611	2,814,657	2,420,131	2,191,319
Depreciation	1,312,418	1,308,758	986,620	940,022
Total operating expenses	<u>6,026,738</u>	<u>5,944,031</u>	<u>4,432,336</u>	<u>4,135,182</u>
Operating income (loss)	<u>(771,300)</u>	<u>921,475</u>	<u>159,690</u>	<u>1,579,579</u>
Non-Operating Revenues (Expenses):				
Use of money and property	478,765	146,400	275,855	303,526
Amortization of gain (loss) on debt refunding	170,936	192,951		
Intergovernmental revenue (expense)	409,563		387,887	
Interest expense and fiscal charges	<u>(300,308)</u>	<u>(391,510)</u>	<u>(192,041)</u>	<u>(178,212)</u>
Total non-operating revenues (expenses)	<u>758,956</u>	<u>(52,159)</u>	<u>471,701</u>	<u>125,314</u>
Changes in net position	<u>(12,344)</u>	<u>869,316</u>	<u>631,391</u>	<u>1,704,893</u>
Total Net Position - beginning	21,768,465	20,952,390	31,900,566	31,803,153
Prior Period Adjustments	<u>(1,207,812)</u>	<u>(53,241)</u>	<u>(793,133)</u>	<u>(1,607,480)</u>
Total Net Position - beginning, restated	<u>20,560,653</u>	<u>20,899,149</u>	<u>31,107,433</u>	<u>30,195,673</u>
Total Net Position - ending	<u>\$20,548,309</u>	<u>\$21,768,465</u>	<u>\$31,738,824</u>	<u>\$31,900,566</u>

See Notes to Basic Financial Statements

Business-Type Activities Enterprise Funds				Current Year Totals	Governmental Activities Internal Service Funds
Solid Waste		Airport			
Current Year	Prior Year	Current Year	Prior Year		
\$ 1,322,808	\$ 1,277,412	\$ -	\$ -	\$ 11,170,272	\$ 3,131,088
		138,575	116,731	138,575	246,591
<u>1,322,808</u>	<u>1,277,412</u>	<u>138,575</u>	<u>116,731</u>	<u>11,308,847</u>	<u>3,377,679</u>
		5,127	3,630	2,060,221	237,720
		6,400	21,300	642,600	
1,314,221	1,145,810	349,221	331,399	7,132,184	3,318,474
		245,860	245,860	2,544,898	130,263
<u>1,314,221</u>	<u>1,145,810</u>	<u>606,608</u>	<u>602,189</u>	<u>12,379,903</u>	<u>3,686,457</u>
<u>8,587</u>	<u>131,602</u>	<u>(468,033)</u>	<u>(485,458)</u>	<u>(1,071,056)</u>	<u>(308,778)</u>
		1,598	510	756,218	7,910
				170,936	
	7,079	844,764	3,016,441	1,642,214	571,606
				(492,349)	
	<u>7,079</u>	<u>846,362</u>	<u>3,016,951</u>	<u>2,077,019</u>	<u>579,516</u>
<u>8,587</u>	<u>138,681</u>	<u>378,329</u>	<u>2,531,493</u>	<u>1,005,963</u>	<u>270,738</u>
24,096	(114,585)	6,364,141	3,832,648	60,057,268	2,644,461
				(2,000,945)	
<u>24,096</u>	<u>(114,585)</u>	<u>6,364,141</u>	<u>3,832,648</u>	<u>58,056,323</u>	<u>2,644,461</u>
<u>\$ 32,683</u>	<u>\$ 24,096</u>	<u>\$ 6,742,470</u>	<u>\$ 6,364,141</u>	<u>\$ 59,062,286</u>	<u>\$ 2,915,199</u>

CITY OF BRAWLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2015

with Comparative Statements for the Fiscal Year Ended June 30, 2014

	Business-Type Activities Enterprise Funds			
	Water		Wastewater	
	Current Year	Prior Year	Current Year	Prior Year
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 5,453,848	\$ 7,304,238	\$ 4,592,026	\$ 5,714,761
Cash payments to suppliers for goods and services	(3,295,446)	(3,249,969)	(2,537,494)	(2,563,577)
Cash payments for employees and benefit programs	(1,346,829)	(1,433,116)	(766,081)	(721,341)
Net cash provided (used) by operating activities	<u>811,573</u>	<u>2,621,153</u>	<u>1,288,451</u>	<u>2,429,843</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Interfund borrowing (repayment)	(102,308)		102,308	
Net cash provided (used) by non-capital financing activities	<u>(102,308)</u>		<u>102,308</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Intergovernmental revenue (expense)	409,563		428,341	90,548
Purchase of capital assets	(227,934)		(602,169)	(234,300)
Loan repayent				
Principal paid on debt	(1,116,971)	(1,002,699)	(1,043,647)	(1,026,031)
Interest paid on debt and fiscal charges	(226,544)	(378,576)	(198,967)	(400,423)
Net cash provided (used) by capital and related financing activities	<u>(1,161,886)</u>	<u>(1,381,275)</u>	<u>(1,416,442)</u>	<u>(1,570,206)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	475,149	146,129	268,085	303,910
Net cash provided by investing activities	<u>475,149</u>	<u>146,129</u>	<u>268,085</u>	<u>303,910</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,528	1,386,007	242,402	1,163,547
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	5,218,186	3,832,179	10,130,262	8,966,715
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	<u>\$ 5,240,714</u>	<u>\$ 5,218,186</u>	<u>\$ 10,372,664</u>	<u>\$ 10,130,262</u>
Reconciliation to Statement of Net Position:				
Cash and investments	<u>\$ 5,240,714</u>	<u>\$ 5,218,186</u>	<u>\$ 10,372,664</u>	<u>\$ 10,130,262</u>
CASH AND CASH EQUIVALENTS	<u>\$ 5,240,714</u>	<u>\$ 5,218,186</u>	<u>\$ 10,372,664</u>	<u>\$ 10,130,262</u>

See Notes to Basic Financial Statements

Business-Type Activities Enterprise Funds				Current Year Totals	Governmental Activities Internal Service Fund
Solid Waste		Airport			
Current Year	Prior Year	Current Year	Prior Year		
\$ 1,301,961	\$ 1,306,053	\$ 138,575	\$ 131,538	\$ 11,486,410	\$ 3,377,679
(1,314,193)	(1,300,901)	(2,076,129)	1,410,242	(9,223,262)	(3,066,847)
		(5,127)	(3,630)	(2,118,037)	(237,920)
(12,232)	5,152	(1,942,681)	1,538,150	145,111	72,912
		(494,445)	494,445	(494,445)	(14,276)
		(494,445)	494,445	(494,445)	(14,276)
7,080		3,202,041	649,301	4,047,025	886
		(537,066)	(3,215,298)	(1,367,169)	(1,286,884)
				(2,160,618)	60,211
				(425,511)	
7,080		2,664,975	(2,565,997)	93,727	(1,225,787)
		1,468	467	744,702	7,360
		1,468	467	744,702	7,360
(5,152)	5,152	229,317	(532,935)	489,095	(1,159,791)
5,152			532,935	15,353,600	1,991,952
\$ -	\$ 5,152	\$ 229,317	\$ -	\$ 15,842,695	\$ 832,161
\$ -	\$ 5,152	\$ 229,317	\$ -	\$ 15,842,695	\$ 832,161
\$ -	\$ 5,152	\$ 229,317	\$ -	\$ 15,842,695	\$ 832,161

(Continued)

CITY OF BRAWLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2015

with Comparative Statements for the Fiscal Year Ended June 30, 2014

(Continued)

	Business-Type Activities Enterprise Funds			
	Water		Wastewater	
	Current Year	Prior Year	Current Year	Prior Year
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (771,300)	\$ 921,475	\$ 159,690	\$ 1,579,579
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,312,418	1,308,758	986,620	940,022
(Increase) decrease in accounts receivable	108,665	420,816		
Increase (decrease) in accounts payable and accrued liabilities	115,865	(47,812)	156,137	(89,758)
Increase (decrease) in compensated absences	(43,097)		2,553	
Increase (decrease) net pension liability	(723)		(16,549)	
Increase (decrease) in deposits payable	89,745	17,916		
Total adjustments	1,582,873	1,699,678	1,128,761	850,264
Net cash provided by (used by) operating activities	\$ 811,573	\$ 2,621,153	\$ 1,288,451	\$ 2,429,843

See Notes to Basic Financial Statements

Business-Type Activities Enterprise Funds				Current Year Totals	Governmental Activities Internal Service Fund
Solid Waste		Airport			
Current Year	Prior Year	Current Year	Prior year		
\$ 8,587	\$ 131,602	\$ (468,033)	\$ (485,458)	\$(1,071,056)	\$ (308,778)
		245,860	245,860	2,544,898	130,263
(20,847)	28,641		14,807	87,818	
28	(155,091)	(1,720,548)	1,762,431	(1,448,518)	251,627
				(40,544)	(200)
				(17,272)	
		40	510	89,785	
(20,819)	(126,450)	(1,474,648)	2,023,608	1,216,167	381,690
\$ (12,232)	\$ 5,152	\$(1,942,681)	\$ 1,538,150	\$ 145,111	\$ 72,912

CITY OF BRAWLEY
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2015

	Private Purpose Trust Fund RDA Successor Agency
ASSETS	
Cash and investments	\$ 389,451
Cash and investments with fiscal agent	374,500
Interest receivable	82
Capital assets	<u>1,081,003</u>
Total Assets	<u>1,845,036</u>
LIABILITIES	
Interest payable	55,861
Deposits payable	359
Long-term debt, due in more than one year	<u>5,025,000</u>
Total Liabilities	<u>5,081,220</u>
NET POSITION	
Restricted for Debt Service	374,500
Unrestricted	<u>(3,610,684)</u>
Total Net Position	<u>\$ (3,236,184)</u>

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

CITY OF BRAWLEY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust Fund
	RDA
	Successor Agency
Additions:	
Tax increment	\$ 394,758
Other revenue	109
	<hr/>
Total additions	394,867
	<hr/>
Deductions:	
Community development	8,647
Interest	241,847
	<hr/>
Total deductions	250,494
	<hr/>
Change in net position	144,373
Net Position - July 1, 2014	<hr/> (3,380,557)
Net Position - June 30, 2015	<hr/> <u>\$ (3,236,184)</u>

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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

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

Government-wide Financial Statements

The Statement of Net 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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

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

Proprietary fund financial statements include a Statement of 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 funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Major Funds (Continued)

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

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

General Fund

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

Economic and Community Development Fund

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

SB 325 Special Revenue Fund

To account for revenue received from the State under Article 8(a) of the Transportation Development Act (Section 99400(a) of the Public Utilities Code). Uses are restricted to local streets and roads.

The City reported the following major proprietary funds:

Water Fund

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

Wastewater Fund

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

Solid Waste Fund

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

Airport Fund

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

The City reported the following internal service funds:

Internal Service Funds

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

D. Basis of Accounting

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

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

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

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

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

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net 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 Brawley Community Redevelopment Agency. Cash equivalents have an original maturity date of three months or less from the date of purchase.

F. Cash and Investments

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

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

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

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

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

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

H. Interfund Transactions

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

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

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

I. Property Tax

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

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

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

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

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

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

J. Inventory

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Restricted Assets

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

L. Capital Assets

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

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

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

M. Compensated Absences

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

N. Self-insurance

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net 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 only at the government-wide level, proprietary funds, and fiduciary funds 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, redevelopment funds restricted for low-and-moderate income purposes, and gas tax funds for street construction.

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

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

Q. Use of Estimates

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

R. Fiscal Year

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

S. Use of Restricted Resources

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

T. Comparative Data

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

U. New Accounting Pronouncements

The City has implemented the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended June 30, 2014:

Governmental Accounting Standards Board Statement No. 68

For the fiscal year ended June 30, 2015, City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers as well as the requirements of Statement No. 50, Pension Disclosures. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. Implementation of GASB Statement No. 68 did have an impact on the City's financial statements for the fiscal year ended June 30, 2015, see Note 12 and 15.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 69

For the fiscal year ended June 30, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 69, Government Combinations and Disposals of Government Operations. This Statement is effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Implementation of the GASB Statement No. 69 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2015.

Governmental Accounting Standards Board Statement No. 71

For the fiscal year ended June 30, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition of GASB Statement No. 68 Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will eliminate the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. Implementation of the GASB Statement No. 71 did have an impact on the City's financial statements for the fiscal year ended June 30, 2015, see Note 12 and 15.

V. Fund Balance

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

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

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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

B. Deficit Fund Balances

At June 30, 2015, the following funds had an accumulated deficit:

<u>Fund</u>	<u>Amount</u>
<u>Nonmajor Governmental Funds:</u>	
Dial-a-Ride Fund	\$ 62,998
Successor Agency Housing Fund	3,255
Parks Projects Fund	742
<u>Internal Service Fund:</u>	
Risk Management	129,210

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.

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

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2015, the following funds had excess of expenditures over appropriations:

<u>Fund</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Major Fund:</u>			
General Fund			
General Government	\$ 2,062,782	\$ 2,337,336	\$ 274,554
Culture and Leisure	2,195,519	2,227,347	31,828
Capital Outlay		25,036	25,036

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Primary Government:

Statement of Net Position:

Cash and investments	\$ 40,922,597
Restricted cash and investments with fiscal agent	708,665

Fiduciary Fund:

Cash and investments	389,451
Cash and investments with fiscal agent	374,500

Total cash and investments, Statement of Net Position	\$ 42,395,213
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Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 2,875
Deposits with financial institutions	3,375,447
Investments	39,016,891
Total cash and investments	\$ 42,395,213

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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

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

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

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.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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>	Totals	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
State Investment Pool (LAIF)	\$ 25,354,763	\$ 25,354,763	\$ -	\$ -	\$ -
Certificates of Deposit	10,565,906	2,735,002	2,453,000	5,377,904	
Federal Agency Securities	1,000,870			1,000,870	
Money Market Funds	1,012,187	1,012,187			
Held by Bond Trustees:					
Money Market Funds	1,083,165	1,083,165			
	<u>\$ 39,016,891</u>	<u>\$ 30,185,117</u>	<u>\$ 2,453,000</u>	<u>\$ 6,378,774</u>	<u>\$ -</u>

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

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

E. Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 25,354,763	N/A	\$ -	\$ -	\$ -	\$ -	\$ 25,354,763
Certificates of Deposit	10,565,906	N/A					10,565,906
Federal Agency Securities	1,000,870	N/A			1,000,870		
Money Market Funds	1,012,187	N/A					1,012,187
Held by Bond Trustee:							
Money Market Funds	1,083,165	N/A					1,083,165
Total	<u>\$ 39,016,891</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,870</u>	<u>\$ -</u>	<u>\$ 38,016,021</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.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2015, none of the City’s deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Long-Term Advances

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise Fund: Wastewater Fund	Enterprise Fund: Water Fund	\$ 1,401,223

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, 2015.

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Governmental Fund:		Nonmajor Governmental Funds:	
General Fund	\$ 210,223	Downtown Parking	\$ 270
		Dial-a-Ride	62,998
Total	<u>\$ 210,223</u>	Park Projects	82,763
		Internal Service Fund:	
		Risk Management	64,192
		Total	<u>\$ 210,223</u>

C. Interfund Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations, and re-allocations of special revenues. All inter-fund transfers between individual government funds have been eliminated on the government-wide statements. The City had the following transfers during fiscal year ended June 30, 2015.

<u>Fund</u>	<u>Transfers-in</u>	<u>Transfers-out</u>
Major Governmental Funds:		
General Fund	\$ 200,491	\$ -
Nonmajor Governmental Funds:		
Law Enforcement Special Revenue Fund		200,491
Totals	<u>\$ 200,491</u>	<u>\$ 200,491</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – LOANS RECEIVABLE

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

Economic & Community Development Special Revenue Fund

CDBG loan to Valley Lube & Wash, receivable in installments of \$1,109.53 per month including interest at 6%. Secured by deed of trust.	\$	97,972
Note to Brawley Beef, LLC receivable in the amount of \$120,000. First two payment on the note due 3/13/2009 and 3/13/2010 were forgiven due to fulfillment of certain employment covenants. Since that time, the covenants have not been fulfilled and the remainder of the loan is due.		120,000
Loan to Inferno 800. Secured by deed of trust.		55,710
HOME Investment Partnerships Program Loan to BESA, L.P., C/O Chelsea Investment Corporation. Annual payments are in the amount equal to 50% of the residual receipts from the apartment complex. Payments are due 90 days following the end of the calendar year with respect to the preceding year.		3,400,000
Loan to Edward and Martha Singh receivable in the installment of \$756.45 per month including interest at 6.5%. Secured by deed of trust.		42,409
Deferred notes receivable. No installment payments of principal or interest are required until the loans reach their maturity or underlying property is sold. Secured by deeds of trust.		4,238,205
	<u>\$</u>	<u>7,954,296</u>

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	Balance as of July 1, 2014	Additions	Deletions	Transfers	Prior Period Adjustments	Balance as of June 30, 2015
Governmental Activities						
Nondepreciable capital assets						
Land	\$ 966,706	\$ -	\$ -	\$ -	\$ -	\$ 966,706
Construction in progress	5,414,099	1,161,822		(4,286,017)		2,289,904
Total nondepreciable capital assets	<u>6,380,805</u>	<u>1,161,822</u>	<u>-</u>	<u>(4,286,017)</u>		<u>3,256,610</u>
Depreciable capital assets						
Equipment	7,438,614	1,186,650		103,211	417,123	9,145,598
Buildings	12,036,575					12,036,575
Improvements other than buildings	12,525,977					12,525,977
Infrastructure	15,859,854	271,927		4,182,806		20,314,587
Total depreciable capital assets	<u>47,861,020</u>	<u>1,458,577</u>	<u>-</u>	<u>4,286,017</u>	<u>417,123</u>	<u>54,022,737</u>
Less accumulated depreciation						
Equipment	(5,940,186)	(515,329)				(6,455,515)
Buildings	(3,073,680)	(396,676)				(3,470,356)
Improvements other than buildings	(4,245,241)	(715,392)				(4,960,633)
Infrastructure	(10,402,740)	(1,209,600)				(11,612,340)
Total accumulated depreciation	<u>(23,661,847)</u>	<u>(2,836,997)</u>	<u>-</u>			<u>(26,498,844)</u>
Net depreciable capital assets	<u>24,199,173</u>	<u>(1,378,420)</u>	<u>-</u>	<u>4,286,017</u>	<u>417,123</u>	<u>27,523,893</u>
Net capital assets	<u>\$ 30,579,978</u>	<u>\$ (216,598)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 417,123</u>	<u>\$ 30,780,503</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

General government	\$ 469,493
Public safety	500,734
Streets and public works	1,471,678
Parks and recreation	189,122
Community development	205,970
Total	<u>\$ 2,836,997</u>

	Balance as of July 1, 2014	Additions	Deletions	Transfers	Balance as of June 30, 2015
Business-type Activities					
Nondepreciable capital assets					
Land	\$ 37,076	\$ -	\$ -	\$ -	\$ 37,076
Construction in progress	3,215,298	138,854		(3,247,608)	106,544
Total nondepreciable capital assets	<u>3,252,374</u>	<u>138,854</u>		<u>(3,247,608)</u>	<u>143,620</u>
Depreciable capital assets					
Equipment	2,842,545	161,116			3,003,661
Buildings	56,462,194				56,462,194
Improvements other than buildings	6,522,329	958,154		3,247,608	10,728,091
Conveyance systems	34,714,528	109,045			34,823,573
Total depreciable capital assets	<u>100,541,596</u>	<u>1,228,315</u>		<u>3,247,608</u>	<u>105,017,519</u>
Less accumulated depreciation					
Equipment	(1,885,162)	(122,235)			(2,007,397)
Buildings	(14,939,686)	(1,421,164)			(16,360,850)
Improvements other than buildings	(3,051,228)	(281,881)			(3,333,109)
Conveyance systems	(14,659,504)	(719,618)			(15,379,122)
Total accumulated depreciation	<u>(34,535,580)</u>	<u>(2,544,898)</u>			<u>(37,080,478)</u>
Net depreciable capital assets	<u>66,006,016</u>	<u>(1,316,583)</u>		<u>3,247,608</u>	<u>67,937,041</u>
Net capital assets	<u>\$ 69,258,390</u>	<u>\$ (1,177,729)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,080,661</u>

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

Water	\$ 1,312,418
Wastewater	986,620
Airport	245,860
Total Depreciation Expense - Business-type Activities	<u>\$ 2,544,898</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015:

	Balance as of July 1, 2014	Prior Period Adjustment	Additions	Reductions	Balance as of June 30, 2015	Due Within One Year
Governmental Activities:						
Capital lease	55,104			(17,234)	37,870	18,344
Net pension liability		18,339,229	6,055,017	(9,570,040)	14,824,206	
Compensated absences	1,278,698			(193,610)	1,085,088	
Total long-term liabilities	<u>\$ 1,333,802</u>	<u>\$ 18,339,229</u>	<u>\$ 6,055,017</u>	<u>\$ (9,780,884)</u>	<u>\$ 15,947,164</u>	<u>\$ 18,344</u>

Capital Lease

The City has entered into a lease agreement as lessee for financing the acquisition of a park facility lighting system having a purchase price of \$149,731. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, including interest are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 18,344	\$ 2,441	\$ 20,785
2017	19,526	1,258	20,784
Total	<u>\$ 37,870</u>	<u>\$ 3,699</u>	<u>\$ 41,569</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, 2015:

	Balance as of July 1, 2014	Prior Period Adjustment	Additions	Reductions	Balance as of June 30, 2015	Due Within One Year
Business-type Activities:						
Contracts payable	\$ 8,971,640		\$ -	\$ (1,155,624)	\$ 7,816,016	\$ 1,159,765
Deferred gain	695,376			(170,936)	524,440	148,228
Unamortized discount	(1,052,838)			256,921	(795,917)	(223,975)
Certificates of participation	430,000			(210,000)	220,000	220,000
Unamortized discount	(4,246)			3,138	(1,108)	(1,108)
Revenue bonds payable	2,535,000			(185,000)	2,350,000	195,000
Unamortized premium	13,891			(2,307)	11,584	2,165
Bonds payable	57,400			(18,100)	39,300	19,100
CSWRCB Loan	13,313,879			(678,712)	12,635,167	685,500
Net pension liability		2,191,087	723,427	(1,143,385)	1,771,129	
Compensated absences	262,364			(40,544)	221,820	
Total long-term liabilities	<u>\$ 25,222,466</u>	<u>\$ 2,191,087</u>	<u>\$ 723,427</u>	<u>\$ (3,344,549)</u>	<u>\$ 24,792,431</u>	<u>\$ 2,204,675</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Water Enterprise Fund: Contracts Payable and Defeased Certificates of Participation

On May 5, 1998, the Brawley Public Improvement Corporation sold Certificates of Participation in the amount of \$17,755,000 with an average interest rate of 4.88% to advance refund \$17,755,000 of then outstanding 1996 Certificates of Participation with an average interest rate of 6.27%. As a result, the 1996 Certificates are considered to be defeased and the liability for those certificates has been removed from the Water Enterprise Fund. The balance of the 1996 refunded certificates outstanding as of June 30, 2015 is \$10,980,000.

On July 2, 2001, the City borrowed \$15,823,475 from the California Department of Water Resources (DOWR), at an interest rate of 0 %, to advance refund \$16,050,000 of outstanding 1998 Certificates of Participation with an average interest rate of 4.88 %. The proceeds were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 Certificates of Participation. As a result, the 1998 Certificates are considered to be defeased and the liability for those certificates has been removed from the Water Enterprise Fund. The balance of 1998 refunded certificates outstanding as of June 30, 2015 is \$8,890,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,119,886. This difference, to be reported in the financial statements as a deduction from contracts payable, is being charged to operations through the fiscal year ending June 30, 2021 using the effective interest method. The balance payable as of June 30, 2015, including deferred gain of \$392,275, and net of unamortized discount of \$663,752 is \$4,871,151. Debt service requirements to maturity on the contract, which includes imputed interest, are as follows:

Fiscal Year Ending June 30,	Principal	Imputed Interest	Total
2016	\$ 602,572	\$ 188,602	\$ 791,173
2017	631,804	159,370	791,174
2018	662,451	128,722	791,174
2019	694,587	96,586	791,173
2020	728,282	62,891	791,173
2021-2022	1,159,200	27,561	1,186,761
	<u>\$ 4,478,896</u>	<u>\$ 663,732</u>	<u>\$ 5,142,628</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, 2015, including deferred gain of \$132,165, and net of unamortized discount of \$132,165 is \$1,444,628. Debt service requirements to maturity which includes imputed interest are as follows:

Fiscal Year Ending June 30,	Principal	Imputed Interest	Total
2016	\$ 171,003	\$ 35,373	\$ 206,376
2017	176,226	30,150	206,376
2018	181,609	24,767	206,376
2019	187,156	19,220	206,376
2020	192,873	13,503	206,376
2021-2022	403,596	9,152	412,748
	<u>\$ 1,312,463</u>	<u>\$ 132,165</u>	<u>\$ 1,444,628</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Water Enterprise Fund: Revenue Bonds Payable

On October 1, 2004, the City participated in a pooled revenue bond issue with the California Statewide Communities Development Authority (CSCDA). The CSCDA issued \$4,000,000 of revenue bonds on behalf of the City for its Water enterprise fund, at an average interest rate of 4.37% and a final maturity of October 1, 2024. The balance payable as of June 30, 2015, including unamortized premium of \$11,583 is \$2,361,583. Debt service requirements to maturity on the revenue bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 195,000	\$ 104,859	\$ 299,859
2017	200,000	97,352	297,352
2018	210,000	89,354	299,354
2019	215,000	80,853	295,853
2020	225,000	70,875	295,875
2021-2025	1,305,000	169,375	1,474,375
	<u>\$ 2,350,000</u>	<u>\$ 612,668</u>	<u>\$ 2,962,668</u>

Water Enterprise Fund: Water District Bonds Payable

On June 1, 1977, the Brawley County Water District issued Bonds totalling \$368,000. Subsequently, the Brawley County Water District was annexed by the City at which time these outstanding bonds became a reportable obligation of the City. All funds to pay the outstanding bonds continue to be collected and paid by the County of Imperial. The bonds bear interest at a rate of 5% with a final maturity date of June 1, 2017. The balance as of June 30, 2015 is \$39,300. Debt service requirements to maturity on the Water District Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 19,100	\$ 1,965	\$ 21,065
2017	20,200	1,010	21,210
	<u>\$ 39,300</u>	<u>\$ 2,975</u>	<u>\$ 42,275</u>

Wastewater Enterprise Fund: Contracts Payable

As of June 30, 2011, the City has received advances totalling \$2,759,775 from the California Infrastructure and Economic Development Bank (CIEDB). The purpose is to help finance improvements to the wastewater system. The balance payable as of June 30, 2015 is \$1,228,760. Debt service requirements to maturity on the contract are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 162,215	\$ 30,069	\$ 192,284
2017	166,465	25,763	192,228
2018	170,827	21,344	192,171
2019	175,302	16,809	192,111
2020	179,895	12,156	192,051
2021-2022	374,056	9,864	383,920
	<u>\$ 1,228,760</u>	<u>\$ 116,005</u>	<u>\$ 1,344,765</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Wastewater Enterprise Fund: Certificates of Participation

On December 11, 1997, the City of Brawley Public Improvement Corporation sold Certificates of Participation in the amount of \$2,845,000 with an average interest rate of 4.62% to refund on a current basis \$2,520,000 of outstanding 1987 Certificates of Participation with an average interest rate of 7.00%. The Certificates are payable solely from lease payments pursuant to a lease agreement between the City and the Public Improvement Corporation. The City is required under the lease agreement to make lease payments as rental for use and possession of the wastewater treatment facility which are equal to the debt service requirements of the Certificates. The balance payable as of June 30, 2015, net of unamortized discount of \$1,108 is \$218,892. Debt service requirements to maturity on the certificates of participation are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 210,000	\$ 21,500	\$ 231,500
2016	220,000	11,000	231,000
	<u>\$ 430,000</u>	<u>\$ 32,500</u>	<u>\$ 462,500</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 12,635,167 at June 30, 2015. Annual debt service requirements for the CSWRCB Loan are shown below:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 685,500	\$ 126,351	\$ 811,851
2017	692,355	119,496	811,851
2018	699,278	112,573	811,851
2019	706,271	105,580	811,851
2020	713,334	98,517	811,851
2021-2025	3,675,105	384,150	4,059,255
2026-2030	3,862,572	196,683	4,059,255
2031-2033	1,600,752	24,064	1,624,816
	<u>\$ 12,635,167</u>	<u>\$ 1,167,414</u>	<u>\$ 13,802,581</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.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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

NOTE 10 – NON-COMMITMENT DEBT

The City issued \$5,200,000 of multifamily housing revenue bonds through the California Statewide Communities Development Authority (CSCDA) to assist a developer in the construction of an apartment complex for senior citizens, including those of low income. The bonds are secured by the property financed and are payable solely from income generated by the property. The City is not obligated in any manner for repayment of the bonds and accordingly, the bonds are not recorded as liabilities in the accompanying financial statements. As of June 30, 2015, the amounts of bonds outstanding totaled \$5,200,000.

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

NOTE 11 – JOINT VENTURES

Local Transportation Authority:

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

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

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

Imperial Valley Emergency Communications Authority:

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

NOTE 12 – 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.

**CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 – PENSION PLAN (CONTINUED)

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, agent 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, 2015, 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, 2015, 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
\$ 7,159,080	\$ 9,436,255

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 – PENSION PLAN (CONTINUED)

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

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, 2014, 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, 2013 rolled forward to June 30, 2014 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, 2013 and 2014 was as follows:

	City Miscellaneous Plan	City Safety Plan
Proportion - June 30, 2013	0.27806%	0.23868%
Proportion - June 30, 2014	0.28967%	0.25157%
Change - Increase (Decrease)	0.01161%	0.01289%

For the fiscal year ended June 30, 2015, the Local Government recognized pension expense of \$1,547,367. At June 30, 2015, 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	\$1,886,990	\$ -
Net differences between projected and actual earnings on pension plan investments		(3,953,443)
Adjustment due to differences in proportions	74,927	
Total	<u>\$1,961,917</u>	<u>\$ (3,953,443)</u>

\$1,886,990 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	
2016	\$ (973,282)
2017	(973,282)
2018	(970,844)
2019	(961,108)
Total	<u>\$ (3,878,516)</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 – PENSION PLAN (CONTINUED)

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

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. 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, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payrol 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, 2013 valuation were based on the results of a January 2014 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 7.50% 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 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 7.50 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.

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.

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 – PENSION PLAN (CONTINUED)

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

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	2.00%	-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 Local Government 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
1% Decrease	6.50%	6.50%
Net Pension Liability	\$11,724,895	\$14,533,852
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$7,159,080	\$9,436,254
1% Increase	8.50%	8.50%
Net Pension Liability	\$3,369,887	\$5,236,062

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, 2015

NOTE 13 – MANAGEMENT’S REVIEW OF SUBSEQUENT EVENTS

In preparing the accompanying financial statement, City management has reviewed all known events that have occurred after June 30, 2015, and through February 12, 2016, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.

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

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

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

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

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

A. Long-term debt of the Successor Agency as of June 30, 2015, consisted of the following:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due within one year
Tax Allocation Bonds	\$ 5,160,000	\$ -	\$ (135,000)	\$ 5,025,000	\$ 140,000
Totals	<u>\$ 5,160,000</u>	<u>\$ -</u>	<u>\$ (135,000)</u>	<u>\$ 5,025,000</u>	<u>\$ 140,000</u>

2006 Tax Allocation Bonds Payable

On October 3, 2006, the Community Redevelopment Agency issued \$5,875,000 of 2006 Tax Allocation Bonds. Interest is payable semiannually each April 1 and October 1 with principal due each October 1 beginning in 2008 with final maturity in 2036. The bonds were issued with interest rates varying between 3.65% and 5.00% Proceeds from the issue are to be used to finance improvements, fund a reserve account, fund a capitalized interest account, and pay costs of issuance. Tax increment revenue is pledged against the bonds. The balance payable at June 30, 2015 is \$5,025,000.

The scheduled annual minimum debt service requirements at June 30, 2015 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2016	\$ 140,000	\$ 229,162	\$ 369,162
2017	145,000	223,390	368,390
2018	150,000	217,380	367,380
2019	160,000	211,022	371,022
2020	165,000	204,196	369,196
2021-2025	935,000	904,406	1,839,406
2026-2030	1,175,000	667,131	1,842,131
2031-2035	1,460,000	360,790	1,820,790
2036-2037	695,000	35,125	730,125
Totals	<u>\$ 5,025,000</u>	<u>\$ 3,052,602</u>	<u>\$ 8,077,602</u>

CITY OF BRAWLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The prior period adjustment in the Gas Tax fund of (\$56,308) was due to an overstatement of prior year revenue.

The prior period adjustment in the Law Enforcement fund of \$7,193 was due to an understatement of prior year receivables.

The prior period adjustments in the Assessment Districts fund (\$463,745) and General fund \$463,745 was due to revenue received in the Assessment Districts fund in prior years designated for the General fund but not transferred.

The prior period adjustments in the General fund (\$235,977) and Development Impact Fee fund \$235,977 was due to revenue received in the General fund designated for the Development Impact Fee fund in prior fiscal years but not transferred.

The prior period adjustment in the Streets capital projects fund of \$42,616 was due to an understatement of prior year revenue.

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, during fiscal year 2015. The cumulative effect of applying GASB No. 68 and 71 has resulted in a decrease to the net position at July 1, 2014 as follows:

Major Enterprise Funds	Net Pension Liability	Deferred Outflow of Resources
Water	\$ (1,333,303)	\$ 100,491
Wastewater	(857,784)	64,651
Governmental Activities	(18,339,229)	1,382,225

A prior period adjustment of \$8,435,890 was made in the Economics & Community Development fund due to loans/notes receivable no longer being offset with deferred revenue.

The prior period adjustment in the General fund of \$15,760 was due to an understatement of prior year revenue.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BRAWLEY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2015**

Cost Sharing Defined Benefit Pension Plans

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

	June.30, 2015	
	Miscellaneous Plan	Safety Plan
Proportion of the net pension liability	0.28967%	0.25157%
Proportionate share of the net pension liability	\$ 7,159,080	\$ 9,436,254
Covered-employee payroll	\$ 4,641,025	\$ 2,943,387
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	154.26%	320.59%
Plan's fiduciary net position	\$ 27,257,634	\$ 28,620,349
Plan's total pension liability	\$ 34,416,714	\$ 38,056,603
Plan fiduciary net position as a percentage of total pension liability	79.20%	75.20%

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).

Change in Assumptions: None

*Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**CITY OF BRAWLEY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2015**

Cost Sharing Defined Benefit Pension Plans

Schedule of Contributions – Last 10 Years*

	June 30, 2015	
	Miscellaneous Plan	Safety Plan
Contractual required contribution (actuarially determined)	\$ 736,175	\$ 1,047,202
Contributions in relation to the actuarially determined contributions	(736,175)	(1,047,202)
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 4,641,025	\$ 2,943,387
Contributions as a percentage of covered employee payroll	15.86%	35.58%

Notes to Schedule

Valuation Date: June 30, 2013

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 ⁽¹⁾	Derived using CalPERS' Membership Data for all Funds

⁽¹⁾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 1st year of implementation, therefore only one year is shown.**

CITY OF BRAWLEY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Utility users	\$ 1,753,685	\$ 1,753,685	\$ 1,978,806	\$ 225,121
Transient lodging	270,746	270,746	334,776	64,030
Franchise	639,000	639,000	615,888	(23,112)
Business license	45,000	45,000	25,856	(19,144)
Licenses and permits	23,850	23,850	23,010	(840)
Fines and forfeitures	57,650	57,650	48,660	(8,990)
Use of money and property	36,000	36,000	73,415	37,415
Intergovernmental	7,587,179	7,587,179	6,993,860	(593,319)
Charges for services	3,519,564	3,519,564	3,684,635	165,071
Miscellaneous	2,380,002	2,380,002	267,498	(2,112,504)
Total revenues	16,312,676	16,312,676	14,046,404	(2,266,272)
EXPENDITURES				
Current:				
General government	2,062,782	2,062,782	2,337,336	(274,554)
Public safety	8,310,526	8,310,526	8,132,772	177,754
Culture and leisure	2,195,519	2,195,519	2,227,347	(31,828)
Community development	1,508,003	1,508,003	1,479,657	28,346
Capital outlay			25,036	(25,036)
Total expenditures	14,076,830	14,076,830	14,202,148	(125,318)
Excess of revenues over (under) expenditures	2,235,846	2,235,846	(155,744)	(2,391,590)
OTHER FINANCING SOURCES (USES)				
Transfers in			200,419	200,419
Transfers out	(2,280,002)	(2,280,002)		2,280,002
Total other financing sources (uses)	(2,280,002)	(2,280,002)	200,419	2,480,421
Net change in fund balance	(44,156)	(44,156)	44,675	88,831
Fund Balance - July 1, 2014	4,628,152	4,628,152	4,628,152	
Prior Period Adjustment			243,528	243,528
Fund Balance - July 1, 2014, Restated	4,628,152	4,628,152	4,871,680	243,528
Fund Balance - June 30, 2015	\$ 9,212,148	\$ 9,212,148	\$ 4,916,355	\$ 332,359

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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 56,000	\$ 56,000	\$ 84,063	\$ 28,063
Intergovernmental	754,153	754,153	203,333	(550,820)
Total revenues	810,153	810,153	287,396	(522,757)
EXPENDITURES				
Current:				
Community development	754,153	754,153	123,889	630,264
Total expenditures	754,153	754,153	123,889	630,264
Net change in fund balance	56,000	56,000	163,507	107,507
Fund Balance - July 1, 2014	125,146	125,146	125,146	
Prior Period Adjustment			8,435,890	8,435,890
Fund Balance - July 1, 2014, Restated	125,146	125,146	8,561,036	8,435,890
Fund Balance (Deficit) - June 30, 2015	\$ 306,292	\$ 306,292	\$ 8,724,543	\$ 8,543,397

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OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

CITY OF BRAWLEY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue Funds				
	Gas Tax	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking	Dial -a- Ride
ASSETS					
Cash and investments	\$ 1,199,961	\$ 2,493,283	\$ 192,919	\$ -	\$ -
Restricted cash and investments with fiscal agents					
Interest receivable	1,441	2,909	225		
Accounts receivable				850	
Due from other governments				28	
Total assets	\$ 1,201,402	\$ 2,496,192	\$ 193,144	\$ 878	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 37,430	\$ 106,084	\$ 10,947	\$ -	\$ -
Due to other funds				270	62,998
Total liabilities	37,430	106,084	10,947	270	62,998
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	199,120				
Total deferred inflows of resources	199,120				
Total liabilities and deferred inflows of resources	236,550	106,084	10,947	270	62,998
Fund balances:					
Restricted for:					
Streets and roads	964,852	2,390,108	182,197		
Public safety				608	
Community development					
Assessment districts					
Parks and recreation					
Unassigned					(62,998)
Total fund balances <deficits>	964,852	2,390,108	182,197	608	(62,998)
Total liabilities, deferred inflows of resources and fund balances	\$ 1,201,402	\$ 2,496,192	\$ 193,144	\$ 878	\$ -

Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
Law Enforcement	Successor Agency Housing	Assessment Districts	Park Projects	Streets	Development Impact	
\$ 622,596	\$ -	\$ 310,920	\$ -	\$ 973,450	\$ 1,869,576	\$ 7,662,705
		61,558				61,558
734		1,114			1,609	8,032
35,110		52,830	82,396	299,535		850
						469,899
<u>\$ 658,440</u>	<u>\$ -</u>	<u>\$ 426,422</u>	<u>\$ 82,396</u>	<u>\$ 1,272,985</u>	<u>\$ 1,871,185</u>	<u>\$ 8,203,044</u>
\$ 34,481	\$ 3,255	\$ 834	\$ 375	\$ -	\$ 6,083	\$ 199,489
			82,763			146,031
34,481	3,255	834	83,138		6,083	345,520
61,068						260,188
61,068						260,188
95,549	3,255	834	83,138		6,083	605,708
562,891				1,272,985		4,810,142
					1,865,102	563,499
		425,588				1,865,102
						425,588
	(3,255)		(742)			-
						(66,995)
562,891	(3,255)	425,588	(742)	1,272,985	1,865,102	7,597,336
<u>\$ 658,440</u>	<u>\$ -</u>	<u>\$ 426,422</u>	<u>\$ 82,396</u>	<u>\$ 1,272,985</u>	<u>\$ 1,871,185</u>	<u>\$ 8,203,044</u>

CITY OF BRAWLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds				
	Gas Tax	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking	Dial -a-Ride
REVENUES					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services				806	12,801
Use of money and property	5,723	11,649	826		
Intergovernmental	788,041	953,672	23,163		
Miscellaneous	12,415				
Total revenues	806,179	965,321	23,989	806	12,801
EXPENDITURES					
Current:					
Public safety					
Community development					
Culture and leisure					
Transportation	716,073	880,094	26,754		126,938
Capital outlay					
Total expenditures	716,073	880,094	26,754		126,938
Excess of revenues over (under) expenditures	90,106	85,227	(2,765)	806	(114,137)
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out					
Total other financing sources (uses)					
Net change in fund balances	90,106	85,227	(2,765)	806	(114,137)
Fund Balances (Deficit) - beginning of fiscal year	931,054	2,304,881	184,962	(198)	51,139
Prior Period Adjustments	(56,308)				
Fund Balances (Deficit) - beginning of fiscal year, restated	874,746	2,304,881	184,962	(198)	51,139
Fund Balances (Deficit) - end of fiscal year	\$ 964,852	\$2,390,108	\$ 182,197	\$ 608	\$ (62,998)

Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
Law Enforcement	Successor Agency Housing	Assessment Districts	Park Projects	Streets	Development Impact	
\$ -	\$ -	\$ 108,977	\$ -	\$ -	\$ -	\$ 108,977
21,238					528,999	563,844
5,056		4,282		11	5,837	33,384
369,718		42,864	139,368	1,423,990		3,740,816
	847				22,000	35,262
396,012	847	156,123	139,368	1,424,001	556,836	4,482,283
228,509						228,509
		96,816		97,131	47,593	241,540
			143,967			143,967
						1,749,859
160,617				1,137,090	106,078	1,403,785
389,126		96,816	143,967	1,234,221	153,671	3,767,660
6,886	847	59,307	(4,599)	189,780	403,165	714,623
(200,419)						(200,419)
(200,419)						(200,419)
(193,533)	847	59,307	(4,599)	189,780	403,165	514,204
749,231	(4,102)	830,026	3,857	1,040,589	1,225,960	7,317,399
7,193		(463,745)		42,616	235,977	(234,267)
756,424	(4,102)	366,281	3,857	1,083,205	1,461,937	7,083,132
\$ 562,891	\$ (3,255)	\$ 425,588	\$ (742)	\$ 1,272,985	\$ 1,865,102	\$ 7,597,336

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**CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
JUNE 30, 2015**

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, 2015

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and investments	\$ 832,161	\$ -	\$ 832,161
Interest receivable	1,526		1,526
Due from other governments	736,858		736,858
Notes receivable	120,633		120,633
Total Current Assets	<u>1,691,178</u>		<u>1,691,178</u>
Noncurrent Assets:			
Capital Assets:			
Equipment	3,145,919		3,145,919
Total Capital Assets	3,145,919		3,145,919
Less Accumulated Depreciation	<u>(1,526,809)</u>		<u>(1,526,809)</u>
Net Capital Assets	<u>1,619,110</u>		<u>1,619,110</u>
Total Noncurrent Assets	<u>1,619,110</u>		<u>1,619,110</u>
Total Assets	<u>3,310,288</u>		<u>3,310,288</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	244,788	58,336	303,124
Due to other funds		64,192	64,192
Total Current Liabilities	<u>244,788</u>	<u>122,528</u>	<u>367,316</u>
Noncurrent Liabilities:			
Compensated absences	21,091		21,091
Claims payable		6,682	6,682
Total Noncurrent Liabilities	<u>21,091</u>	<u>6,682</u>	<u>27,773</u>
Total Liabilities	<u>265,879</u>	<u>129,210</u>	<u>395,089</u>
NET POSITION			
Net investment in capital assets	1,619,110		1,619,110
Unrestricted	<u>1,425,299</u>	<u>(129,210)</u>	<u>1,296,089</u>
Total Net Position	<u>\$ 3,044,409</u>	<u>\$ (129,210)</u>	<u>\$ 2,915,199</u>

CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
For the Fiscal Year Ended June 30, 2015

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Totals</u>
Revenues:			
Charges for services	\$ 209,473	\$ 2,921,615	\$ 3,131,088
Use of money and property	<u>246,591</u>		<u>246,591</u>
Total Revenues	<u>456,064</u>	<u>2,921,615</u>	<u>3,377,679</u>
Expenses:			
Salary and benefits	237,720		237,720
Supplies and services	387,956	2,930,518	3,318,474
Depreciation	<u>130,263</u>		<u>130,263</u>
Total Expenses	<u>755,939</u>	<u>2,930,518</u>	<u>3,686,457</u>
Operating Income (Loss)	<u>(299,875)</u>	<u>(8,903)</u>	<u>(308,778)</u>
Non-Operating Revenue (Expenses)			
Intergovernmental revenue	571,606		571,606
Interest income	<u>7,910</u>		<u>7,910</u>
Total Non-Operating Revenue	<u>579,516</u>		<u>579,516</u>
Change in Net Assets	279,641	(8,903)	270,738
Net Position - Beginning of Fiscal Year	<u>2,764,768</u>	<u>(120,307)</u>	<u>2,644,461</u>
Net Position - End of Fiscal Year	<u>\$ 3,044,409</u>	<u>\$ (129,210)</u>	<u>\$ 2,915,199</u>

CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from users	\$ 456,064	\$ 2,921,615	\$ 3,377,679
Cash payments to suppliers and contractors	(159,508)	(2,907,339)	(3,066,847)
Cash payments for employees and benefit programs	(237,920)		(237,920)
Net Cash Provided (Used) By Operating Activities	<u>58,636</u>	<u>14,276</u>	<u>72,912</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Interfund borrowing (repayment)		(14,276)	(14,276)
Intergovernmental revenue (expense)	886		886
Net Cash Provided (Used) By Non-Capital Financing Activities	<u>886</u>	<u>(14,276)</u>	<u>(13,390)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(1,286,884)		(1,286,884)
Loan repayment	60,211		60,211
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(1,226,673)</u>		<u>(1,226,673)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	7,360		7,360
Net Cash Provided In Investing Activities	<u>7,360</u>		<u>7,360</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,159,791)</u>		<u>(1,159,791)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	<u>1,991,952</u>		<u>1,991,952</u>
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	<u>\$ 832,161</u>	<u>\$ -</u>	<u>\$ 832,161</u>
Reconciliation with Statement of Net Position			
Cash and investments	\$ 832,161	\$ -	\$ 832,161
CASH AND CASH EQUIVALENTS	<u>\$ 832,161</u>	<u>\$ -</u>	<u>\$ 832,161</u>

(Continued)

CITY OF BRAWLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015 (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>\$ (299,875)</u>	<u>\$ (8,903)</u>	<u>\$ (308,778)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Depreciation	130,263		130,263
Increase (Decrease) compensated absences	(200)		(200)
(Increase) Decrease prepaid expenditures			
Increase (Decrease) accounts payable and accrued liabilities	<u>228,448</u>	<u>23,179</u>	<u>251,627</u>
Total Adjustments	<u>358,511</u>	<u>23,179</u>	<u>381,690</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 58,636</u>	<u>\$ 14,276</u>	<u>\$ 72,912</u>

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
City of Brawley
Brawley, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Brawley, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Brawley's basic financial statements, and have issued our report thereon dated March 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Brawley's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Brawley's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Brawley's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We noted certain matters that we reported to management of the City in a separate letter dated March 14, 2016.

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Brawley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White Associates

San Diego, California
March 14, 2016