

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

**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2014**

**San Diego**

**Los Angeles**

**San Francisco**  
**Bay Area**

**christy**  **white**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

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

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

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## INDEPENDENT AUDITORS' REPORT

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State Board of Accountancy*

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, 2014, 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, 2014, 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.

## ***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 20, 2015 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.



San Diego, California  
March 20, 2015

## **FINANCIAL SECTION**

**CITY OF BRAWLEY**  
**STATEMENT OF NET POSITION**  
June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 23,150,264	\$ 15,353,600	\$ 38,503,864
Restricted cash and investments with fiscal agents	43,091	637,501	680,592
Accounts receivable	573,446	820,508	1,393,954
Interest receivable	480,253	7,369	487,622
Notes receivable	8,459,178		8,459,178
Internal balances	494,445	(494,445)	
Due from other governments	3,829,138	2,417,621	6,246,759
Deferred charges			
Prepaid expenses	180,844		180,844
Capital assets not being depreciated	6,380,805	3,252,374	9,633,179
Capital assets, net of accumulated depreciation	24,199,173	66,006,015	90,205,188
<b>Total assets</b>	<b>67,790,637</b>	<b>88,000,543</b>	<b>155,791,180</b>
<b>LIABILITIES</b>			
Accounts payable	908,664	1,973,157	2,881,821
Accrued interest payable	1,761	114,545	116,306
Deposits payable	3,223,490	584,030	3,807,520
Unearned revenue		49,075	49,075
Noncurrent liabilities:			
Due within one year	16,190	2,669,394	2,685,584
Due in more than one year	1,317,612	22,553,074	23,870,686
<b>Total liabilities</b>	<b>5,467,717</b>	<b>27,943,275</b>	<b>33,410,992</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	9,253,605		9,253,605
<b>Total deferred inflows of resources</b>	<b>9,253,605</b>		<b>9,253,605</b>
<b>NET POSITION</b>			
Net investment in capital assets	30,524,874	44,935,786	75,460,660
Restricted for:			
Public safety	749,231		749,231
Community development	2,181,132		2,181,132
Culture and leisure	63,010		63,010
Debt service		611,854	611,854
Capital facilities	4,598,764		4,598,764
Unrestricted	14,952,304	14,509,628	29,461,932
<b>Total net position</b>	<b>\$ 53,069,315</b>	<b>\$ 60,057,268</b>	<b>\$ 113,126,583</b>

See Notes to Basic Financial Statements

**CITY OF BRAWLEY**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental Activities:</b>				
General government	\$ 5,926,113	\$ 1,943,582	\$ 104,956	\$ 1,948,385
Public safety	8,344,837	969,328	709,421	400,496
Culture and leisure	2,516,465	348,546	108,423	394,832
Community development	2,060,095	1,903,942	525,532	1,403,024
Streets and highways	2,924,705	1,203,942	904,932	1,457,324
Total governmental activities	<u>21,772,215</u>	<u>6,369,340</u>	<u>2,353,264</u>	<u>5,604,061</u>
<b>Business-type Activities:</b>				
Water	6,335,541	6,865,506		
Wastewater	4,313,394	5,714,761		
Solid Waste	1,145,810	1,277,412	7,079	
Airport	602,189			3,016,441
Total business-type activities	<u>12,396,934</u>	<u>13,857,679</u>	<u>7,079</u>	<u>3,016,441</u>
Total primary government	<u>\$ 34,169,149</u>	<u>\$ 20,227,019</u>	<u>\$ 2,360,343</u>	<u>\$ 8,620,502</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
\$ (1,929,190)	\$ -	\$ (1,929,190)
(6,265,592)		(6,265,592)
(1,664,664)		(1,664,664)
1,772,403		1,772,403
641,493		641,493
<u>(7,445,550)</u>		<u>(7,445,550)</u>
	529,965	529,965
	1,401,367	1,401,367
	138,681	138,681
	2,414,252	2,414,252
	<u>4,484,265</u>	<u>4,484,265</u>
<u>(7,445,550)</u>	<u>4,484,265</u>	<u>(2,961,285)</u>
2,242,076		2,242,076
322,764		322,764
509,074		509,074
47,495		47,495
3,469,811		3,469,811
2,182,288		2,182,288
11,770		11,770
1,288,770		1,288,770
718,531	760,118	1,478,649
<u>10,792,579</u>	<u>760,118</u>	<u>11,552,697</u>
<u>3,347,029</u>	<u>5,244,383</u>	<u>8,591,412</u>
50,107,826	56,473,606	106,581,432
<u>(385,540)</u>	<u>(1,660,721)</u>	<u>(2,046,261)</u>
<u>49,722,286</u>	<u>54,812,885</u>	<u>104,535,171</u>
<u>\$ 53,069,315</u>	<u>\$ 60,057,268</u>	<u>\$ 113,126,583</u>

**CITY OF BRAWLEY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2014**

	General	Economic & Community Development	SB 325
<b>ASSETS</b>			
Cash and investments	\$ 5,513,738	\$ 88,823	\$ 9,412,336
Restricted cash and investments with fiscal agents		4,911	
Interest receivable	2,531	87	4,571
Accounts receivable	36,297		
Due from other governments	284,450	58,108	
Due from other funds	2,274,211		
Notes receivable		8,459,178	
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 8,111,227</u>	<u>\$ 8,611,107</u>	<u>\$ 9,416,907</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 418,723	\$ 26,783	\$ 4,426
Deposits payable	2,897,148		326,342
Due to other funds			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>3,315,871</u>	<u>26,783</u>	<u>330,768</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue - loans		8,459,178	
Unearned revenue	167,204		9,000,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total deferred inflows of resources	<u>167,204</u>	<u>8,459,178</u>	<u>9,000,000</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and deferred inflows of resources	<u>3,483,075</u>	<u>8,485,961</u>	<u>9,330,768</u>
Fund balances:			
Restricted for:			
Streets and roads			86,139
Public safety			
Community development		125,146	
Assessment districts			
Parks and recreation			
Library	63,010		
Unassigned	4,565,142		
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>4,628,152</u>	<u>125,146</u>	<u>86,139</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,111,227</u>	<u>\$ 8,611,107</u>	<u>\$ 9,416,907</u>

See Notes to Basic Financial Statements

Other Governmental Funds	Total Governmental Funds
\$ 6,143,415	\$ 21,158,312
38,180	43,091
2,764	9,953
850	37,147
3,320,442	3,663,000
	2,274,211
	8,459,178
<u>\$ 9,505,651</u>	<u>\$ 35,644,892</u>
\$ 400,553	\$ 850,485
	3,223,490
1,701,298	1,701,298
<u>2,101,851</u>	<u>5,775,273</u>
	8,459,178
86,401	9,253,605
<u>86,401</u>	<u>17,712,783</u>
<u>2,188,252</u>	<u>23,488,056</u>
4,512,625	4,598,764
749,231	749,231
1,225,960	1,351,106
830,026	830,026
3,857	3,857
	63,010
(4,300)	4,560,842
<u>7,317,399</u>	<u>12,156,836</u>
<u>\$ 9,505,651</u>	<u>\$ 35,644,892</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, 2014**

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Fund balances of governmental funds	\$ 12,156,836
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.	30,117,489
Certain notes receivable and accounts receivable are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds.	8,459,178
Long-term debt and compensated absences have not been included in the governmental funds.	
Long-term debt	(55,104)
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.	(1,761)
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.	2,644,461
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>469,324</u>
Net position of governmental activities	<u><u>\$ 53,069,315</u></u>

See Notes to Basic Financial Statements

**CITY OF BRAWLEY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2014

	General	Economic & Community Development	SB 325
<b>REVENUES</b>			
Taxes:			
Utility users	\$ 2,242,076	\$ -	\$ -
Transient lodging	322,764		
Franchise	509,074		
Business license	47,495		
Property			
Licenses and permits	264,354		
Fines and forfeitures	42,139		
Use of money and property	49,942	189,497	26,929
Intergovernmental	6,952,639	165,464	
Charges for services	3,600,023		
Miscellaneous	179,429		
Total revenues	<u>14,209,935</u>	<u>354,961</u>	<u>26,929</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,369,996		
Public safety	7,736,750		
Culture and leisure	2,087,036		
Community development	1,560,253	202,298	
Transportation			
Capital outlay	300,270		
Total expenditures	<u>14,054,305</u>	<u>202,298</u>	
Net change in fund balances	<u>155,630</u>	<u>152,663</u>	<u>26,929</u>
Fund Balances - July 1, 2013	4,472,522	(27,517)	59,210
Prior Period Adjustments			
Fund Balances - July 1, 2013, Restated	<u>4,472,522</u>	<u>(27,517)</u>	<u>59,210</u>
Fund Balances - June 30, 2014	<u>\$ 4,628,152</u>	<u>\$ 125,146</u>	<u>\$ 86,139</u>

See Notes to Basic Financial Statements

Other Governmental Funds	Totals
\$ -	\$ 2,242,076
	322,764
	509,074
	47,495
195,056	195,056
	264,354
	42,139
16,297	282,665
6,839,295	13,957,398
232,863	3,832,886
140,170	319,599
<u>7,423,681</u>	<u>22,015,506</u>
	2,369,996
107,353	7,844,103
256,498	2,343,534
91,574	1,854,125
1,797,948	1,797,948
4,992,602	5,292,872
<u>7,245,975</u>	<u>21,502,578</u>
<u>177,706</u>	<u>512,928</u>
7,108,109	11,612,324
<u>31,584</u>	<u>31,584</u>
<u>7,139,693</u>	<u>11,643,908</u>
<u>\$ 7,317,399</u>	<u>\$ 12,156,836</u>

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**CITY OF BRAWLEY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2014**

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Net change in fund balances - total governmental funds	\$ 512,928
Amounts reported for governmental activities in the statement of activities differ because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.	2,813,880
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.	(106,534)
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.	11,238
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	16,191
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	517
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>98,809</u>
Change in net position of governmental activities	<u><u>\$ 3,347,029</u></u>

See Notes to Basic Financial Statements

**CITY OF BRAWLEY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2014  
with Comparative Statement as of June 30, 2013

	Business-type Activities			
	Enterprise Funds			
	Water		Wastewater	
	Current Year	Prior Year	Current Year	Prior Year
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 5,218,186	\$ 3,832,179	\$ 10,130,262	\$ 8,966,715
Accounts receivable, net	808,644	1,229,460		
Interest receivable	2,525	2,254	4,801	5,185
Due from other governments			43,401	1,633,979
Deferred charges		53,241		
Notes receivable				
Total current assets	<u>6,029,355</u>	<u>5,117,134</u>	<u>10,178,464</u>	<u>10,605,879</u>
Noncurrent Assets:				
Restricted cash and investments with fiscal agents			637,501	637,498
Advances to other funds			1,503,531	1,605,839
Capital assets not being depreciated	115	115	35,011	35,011
Construction in progress		148,323		
Capital assets, net of accumulated depreciation	<u>28,097,488</u>	<u>29,257,923</u>	<u>34,865,550</u>	<u>35,571,271</u>
Total noncurrent assets	<u>28,097,603</u>	<u>29,406,361</u>	<u>37,041,593</u>	<u>37,849,619</u>
Total assets	<u>34,126,958</u>	<u>34,523,495</u>	<u>47,220,057</u>	<u>48,455,498</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	159,763	207,575	49,052	138,810
Interest payable	88,898	66,699	25,647	247,858
Deposits payable	571,240	553,324	8,310	8,310
Deferred revenue	49,075	49,075		
Due to other funds				
Current portion of long term debt	<u>1,615,746</u>	<u>1,601,382</u>	<u>1,053,648</u>	<u>1,020,885</u>
Total current liabilities	<u>2,484,722</u>	<u>2,478,055</u>	<u>1,136,657</u>	<u>1,415,863</u>
Noncurrent liabilities:				
Compensated absences	152,349	152,349	110,015	110,015
Claims payable				
Contracts payable, net of deferred gain and unamortized discount	5,817,007	6,728,571	1,228,760	1,386,834
Certificates of participation, net of unamortized discount			208,892	425,754
Revenue bonds payable, net of unamortized premium	2,361,584	2,548,891		
Advances from other funds	1,503,531	1,605,839		
Bonds payable	<u>39,300</u>	<u>57,400</u>	<u>12,635,167</u>	<u>13,313,879</u>
Total noncurrent liabilities	<u>9,873,771</u>	<u>11,093,050</u>	<u>14,182,834</u>	<u>15,236,482</u>
Total liabilities	<u>12,358,493</u>	<u>13,571,105</u>	<u>15,319,491</u>	<u>16,652,345</u>
<b>NET POSITION</b>				
Net investment in capital assets	16,760,435	16,864,278	21,915,126	21,702,267
Restricted for debt service			611,854	389,640
Unrestricted	<u>5,008,030</u>	<u>4,088,112</u>	<u>9,373,586</u>	<u>9,711,246</u>
Total net position	<u>\$ 21,768,465</u>	<u>\$ 20,952,390</u>	<u>\$ 31,900,566</u>	<u>\$ 31,803,153</u>

See Notes to Basic Financial Statements

Business-type Activities Enterprise Funds					Governmental Activities
Solid Waste		Airport		Current Year Totals	Internal Service Funds
Current Year	Prior Year	Current Year	Prior Year		
\$ 5,152	\$ -	\$ -	\$ 532,935	\$ 15,353,600	\$ 1,991,952
11,864	40,505		14,807	820,508	
		43		7,369	976
7,080		2,367,140		2,417,621	166,138
					180,844
<u>24,096</u>	<u>40,505</u>	<u>2,367,183</u>	<u>547,742</u>	<u>18,599,098</u>	<u>2,339,910</u>
				637,501	
				1,503,531	
		1,950	1,950	37,076	
		3,215,298		3,215,298	
		<u>3,042,977</u>	<u>3,288,837</u>	<u>66,006,015</u>	<u>462,489</u>
		<u>6,260,225</u>	<u>3,290,787</u>	<u>71,399,421</u>	<u>462,489</u>
<u>24,096</u>	<u>40,505</u>	<u>8,627,408</u>	<u>3,838,529</u>	<u>89,998,519</u>	<u>2,802,399</u>
	155,090	1,764,342	1,911	1,973,157	51,497
		4,480	3,970	114,545	
		494,445		584,030	
				49,075	
				494,445	78,468
				<u>2,669,394</u>	
	<u>155,090</u>	<u>2,263,267</u>	<u>5,881</u>	<u>5,884,646</u>	<u>129,965</u>
				262,364	21,291
					6,682
				7,045,767	
				208,892	
				2,361,584	
				1,503,531	
				<u>12,674,467</u>	
				<u>24,056,605</u>	<u>27,973</u>
	<u>155,090</u>	<u>2,263,267</u>	<u>5,881</u>	<u>29,941,251</u>	<u>157,938</u>
		6,260,225	3,290,787	44,935,786	462,489
				611,854	
<u>24,096</u>	<u>(114,585)</u>	<u>103,916</u>	<u>541,861</u>	<u>14,509,628</u>	<u>2,181,972</u>
<u>\$ 24,096</u>	<u>\$ (114,585)</u>	<u>\$ 6,364,141</u>	<u>\$ 3,832,648</u>	<u>\$ 60,057,268</u>	<u>\$ 2,644,461</u>

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

For the Fiscal Year Ended June 30, 2014

with Comparative Statements for the Fiscal Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds			
	Water		Wastewater	
	Current Year	Prior Year	Current Year	Prior Year
Operating Revenues:				
Charges for services (net of refunds)	\$ 6,865,506	\$ 8,416,974	\$ 5,714,761	\$ 5,773,066
Use of money and property				
Total operating revenues	<u>6,865,506</u>	<u>8,416,974</u>	<u>5,714,761</u>	<u>5,773,066</u>
Operating Expenses:				
Salary and benefits	1,433,116	1,523,051	721,341	543,140
Administration	387,500	440,600	282,500	426,100
Supplies and services	2,814,657	3,286,811	2,191,319	2,841,102
Depreciation	1,308,758	1,308,685	940,022	954,561
Total operating expenses	<u>5,944,031</u>	<u>6,559,147</u>	<u>4,135,182</u>	<u>4,764,903</u>
Operating income (loss)	<u>921,475</u>	<u>1,857,827</u>	<u>1,579,579</u>	<u>1,008,163</u>
Non-Operating Revenues (Expenses):				
Use of money and property	146,400	339,328	303,526	242,653
Amortization of gain (loss) on debt refunding	192,951	214,292		
Intergovernmental revenue (expense)				9,861,962
Interest expense and fiscal charges	<u>(391,510)</u>	<u>(596,797)</u>	<u>(178,212)</u>	<u>(261,037)</u>
Total non-operating revenues (expenses)	<u>(52,159)</u>	<u>(43,177)</u>	<u>125,314</u>	<u>9,843,578</u>
Income (Loss) before transfers	869,316	1,814,650	1,704,893	10,851,741
Transfers:				
Transfers in				<u>613,000</u>
Changes in net position	<u>869,316</u>	<u>1,814,650</u>	<u>1,704,893</u>	<u>11,464,741</u>
Total Net Position - beginning	20,952,390	19,137,740	31,803,153	20,338,412
Prior Period Adjustments	<u>(53,241)</u>		<u>(1,607,480)</u>	
Total Net Position - beginning, restated	<u>20,899,149</u>	<u>19,137,740</u>	<u>30,195,673</u>	<u>20,338,412</u>
Total Net Position - ending	<u>\$ 21,768,465</u>	<u>\$ 20,952,390</u>	<u>\$ 31,900,566</u>	<u>\$ 31,803,153</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		
\$ 1,277,412	\$ 1,176,047	\$ -	\$ -	\$ 13,857,679	\$ 2,536,454
		116,731	124,543	116,731	404,707
<u>1,277,412</u>	<u>1,176,047</u>	<u>116,731</u>	<u>124,543</u>	<u>13,974,410</u>	<u>2,941,161</u>
		3,630	116	2,158,087	234,619
		21,300	7,200	691,300	
1,145,810	1,290,806	331,399	291,498	6,483,185	2,748,227
		245,860	245,860	2,494,640	131,842
<u>1,145,810</u>	<u>1,290,806</u>	<u>602,189</u>	<u>544,674</u>	<u>11,827,212</u>	<u>3,114,688</u>
<u>131,602</u>	<u>(114,759)</u>	<u>(485,458)</u>	<u>(420,131)</u>	<u>2,147,198</u>	<u>(173,527)</u>
		510		450,436	5,458
				192,951	
7,079		3,016,441	718,287	3,023,520	266,878
				(569,722)	
<u>7,079</u>		<u>3,016,951</u>	<u>718,287</u>	<u>3,097,185</u>	<u>272,336</u>
138,681	(114,759)	2,531,493	298,156	5,244,383	98,809
<u>138,681</u>	<u>(114,759)</u>	<u>2,531,493</u>	<u>298,156</u>	<u>5,244,383</u>	<u>98,809</u>
(114,585)	174	3,832,648	3,534,492	56,473,606	2,962,776
				(1,660,721)	(417,124)
<u>(114,585)</u>	<u>174</u>	<u>3,832,648</u>	<u>3,534,492</u>	<u>54,812,885</u>	<u>2,545,652</u>
<u>\$ 24,096</u>	<u>\$ (114,585)</u>	<u>\$ 6,364,141</u>	<u>\$ 3,832,648</u>	<u>\$ 60,057,268</u>	<u>\$ 2,644,461</u>

**CITY OF BRAWLEY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For the Fiscal Year Ended June 30, 2014

with Comparative Statements for the Fiscal Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds			
	Water		Wastewater	
	Current Year	Prior Year	Current Year	Prior Year
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers and users	\$ 7,304,238	\$ 8,149,242	\$ 5,714,761	\$ 5,849,003
Cash payments to suppliers for goods and services	(3,249,969)	(3,936,402)	(2,563,577)	(7,332,782)
Cash payments for employees and benefit programs	(1,433,116)	(1,504,435)	(721,341)	(508,251)
Net cash provided (used) by operating activities	<u>2,621,153</u>	<u>2,708,405</u>	<u>2,429,843</u>	<u>(1,992,030)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Transfers out				
Interfund borrowing (repayment)				
Intergovernmental revenue (expense)		120,000		
Net cash provided (used) by non-capital financing activities		<u>120,000</u>		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Intergovernmental revenue (expense)		(386,323)	90,548	5,359,775
Purchase of capital assets		(96,164)	(234,300)	(324,392)
Loan repayent				
Principal paid on debt	(1,002,699)	(690,775)	(1,026,031)	(326,273)
Interest paid on debt and fiscal charges	(378,576)	(227,495)	(400,423)	(51,823)
Net cash provided (used) by capital and related financing activities	<u>(1,381,275)</u>	<u>(1,400,757)</u>	<u>(1,570,206)</u>	<u>4,657,287</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	146,129	339,117	303,910	243,127
Net cash provided by investing activities	<u>146,129</u>	<u>339,117</u>	<u>303,910</u>	<u>243,127</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>1,386,007</u>	<u>1,766,765</u>	<u>1,163,547</u>	<u>2,908,384</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR</b>	<u>3,832,179</u>	<u>2,065,414</u>	<u>8,966,715</u>	<u>6,058,331</u>
<b>CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR</b>	<u>\$ 5,218,186</u>	<u>\$ 3,832,179</u>	<u>\$ 10,130,262</u>	<u>\$ 8,966,715</u>
<b>Reconciliation to Statement of Net Position:</b>				
Cash and investments	<u>\$ 5,218,186</u>	<u>\$ 3,832,179</u>	<u>\$ 10,130,262</u>	<u>\$ 8,966,715</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 5,218,186</u>	<u>\$ 3,832,179</u>	<u>\$ 10,130,262</u>	<u>\$ 8,966,715</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		
\$ 1,306,053	\$ 1,293,482	\$ 131,538	\$ 122,223	\$ 14,456,590	\$ 2,941,161
(1,300,901)	(1,293,482)	1,410,242	(475,609)	(5,704,205)	(1,817,305)
		(3,630)	(116)	(2,158,087)	(234,619)
5,152		1,538,150	(353,502)	6,594,298	889,237
		494,445	(1,119,832)	494,445	(750,557)
		494,445	(1,119,832)	494,445	(750,557)
		649,301	2,006,269	739,849	276,561
		(3,215,298)		(3,449,598)	(510,789)
				(2,028,730)	120,211
				(778,999)	
		(2,565,997)	2,006,269	(5,517,478)	(114,017)
		467		450,506	5,569
		467		450,506	5,569
5,152		(532,935)	532,935	2,021,771	30,232
		532,935		13,331,829	1,961,720
<u>\$ 5,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532,935</u>	<u>\$ 15,353,600</u>	<u>\$ 1,991,952</u>
<u>\$ 5,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532,935</u>	<u>\$ 15,353,600</u>	<u>\$ 1,991,952</u>
<u>\$ 5,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532,935</u>	<u>\$ 15,353,600</u>	<u>\$ 1,991,952</u>

(Continued)

**CITY OF BRAWLEY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For the Fiscal Year Ended June 30, 2014

with Comparative Statements for the Fiscal Year Ended June 30, 2013

**(Continued)**

	Business-Type Activities Enterprise Funds			
	Water		Wastewater	
	<u>Current Year</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Prior Year</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 921,475	\$ 1,857,827	\$ 1,579,579	\$ 1,008,163
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,308,758	1,308,685	940,022	954,561
(Increase) decrease in accounts receivable	420,816	(312,410)		70,007
Increase (decrease) in accounts payable and accrued liabilities	(47,812)	(208,991)	(89,758)	(4,065,580)
Increase (decrease) in compensated absences		18,616		34,889
(Increase) decrease in prepaid				
Increase (decrease) in deposits payable	17,916	44,678		5,930
Total adjustments	<u>1,699,678</u>	<u>850,578</u>	<u>850,264</u>	<u>(3,000,193)</u>
Net cash provided by (used by) operating activities	<u>\$ 2,621,153</u>	<u>\$ 2,708,405</u>	<u>\$ 2,429,843</u>	<u>\$ (1,992,030)</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		
\$ 131,602	\$ (114,759)	\$ (485,458)	\$ (420,131)	\$ 2,147,198	\$ (173,527)
		245,860	245,860	2,494,640	131,842
28,641	117,435	14,807	(2,320)	464,264	
(155,091)	(2,676)	1,762,431	(177,031)	1,469,770	46,148
					884,774
		510	120	18,426	
(126,450)	114,759	2,023,608	66,629	4,447,100	1,062,764
\$ 5,152	\$ -	\$ 1,538,150	\$ (353,502)	\$ 6,594,298	\$ 889,237

**CITY OF BRAWLEY**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUND**  
June 30, 2014

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	<u>Private Purpose Trust Fund RDA Successor Agency</u>
<b>ASSETS</b>	
Cash and investments	\$ 382,581
Cash and investments with fiscal agent	374,500
Interest receivable	19
Capital assets	<u>1,081,003</u>
Total Assets	<u>1,838,103</u>
<b>LIABILITIES</b>	
Interest payable	58,301
Deposits payable	359
Long-term debt, due in more than one year	<u>5,160,000</u>
Total Liabilities	<u>5,218,660</u>
<b>NET POSITION</b>	
Restricted for Debt Service	374,500
Unrestricted	<u>(3,755,057)</u>
Total Net Position	<u>\$ (3,380,557)</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, 2014**

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	<b>Private Purpose Trust Fund</b>
	<b>RDA</b>
	<b>Successor Agency</b>
	<hr/>
Additions:	
Tax increment	\$ 72,679
Other revenue	19,498
	<hr/>
Total additions	92,177
	<hr/>
Deductions:	
Community development	9,252
Interest	235,599
	<hr/>
Total deductions	244,851
	<hr/>
Change in net position	(152,674)
Net Position - July 1, 2013	<hr/> (3,227,883)
Net Position - June 30, 2014	<hr/> <u>\$ (3,380,557)</u>

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

**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.

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

The 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. 65*

For the fiscal year June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the GASB Statement No. 65 did have an impact on the City's financial statements for the fiscal year ended June 30, 2014. Some items reported as assets and liabilities are now reported as deferred inflows or outflows of resources. Please see Note 15 Prior Period Adjustments for adjustments due to this new pronouncement.

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

U. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction – 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement 62 and Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

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

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

B. Deficit Fund Balances

At June 30, 2014, the following funds had an accumulated deficit:

<u>Fund</u>	<u>Amount</u>
<u>Nonmajor Governmental Funds:</u>	
Downtown Parking Fund	\$ 198
Successor Agency Housing Fund	4,102
<u>Internal Service Fund:</u>	
Risk Management	120,307

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, 2014, 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	\$ 2,147,478	\$ 2,369,996	\$ 222,518
Economic and Community Development Fund		202,298	202,298

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Primary Government:

Statement of Net Position:

Cash and investments	\$ 38,503,864
Restricted cash and investments with fiscal agent	680,592

Fiduciary Fund:

Cash and investments	382,581
Cash and investments with fiscal agent	374,500

Total cash and investments, Statement of Net Position	\$ 39,941,537
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Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$ 2,875
Deposits with financial institutions	4,138,496
Investments	35,800,166
Total cash and investments	\$ 39,941,537

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**B. Investments Authorized by Debt Agreements**

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

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

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

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

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

<u>Investment Type</u>	Totals	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
State Investment Pool (LAIF)	\$ 27,573,521	\$ 27,573,521	\$ -	\$ -	\$ -
Certificates of Deposit	7,852,145	248,002	1,962,366	5,641,777	
Held by Bond Trustees:					
Money Market Funds	374,500	374,500			
	\$ 35,800,166	\$ 28,196,023	\$ 1,962,366	\$ 5,641,777	\$ -

**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.

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**E. Disclosures Relating to Credit Risk**

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 27,573,521	N/A	\$ -	\$ -	\$ -	\$ -	\$ 27,573,521
Certificates of Deposit Held by Bond Trustee:	7,852,145	N/A					7,852,145
Money Market Funds	374,500	N/A		374,500			
<b>Total</b>	<b>\$ 35,800,166</b>		<b>\$ -</b>	<b>\$ 374,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 35,425,666</b>

**F. Concentration of Credit Risk**

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

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

As of June 30, 2014, 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.

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**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	\$ 1,503,531

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, 2014.

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Governmental Fund:		Nonmajor Governmental Funds:	
General Fund	\$ 2,274,211	Downtown Parking	\$ 1,076
		Successor Agency Housing	847
Total	<u>\$ 2,274,211</u>	Park Projects	122,619
		Streets	1,576,756
		Major Enterprise Fund:	
		Airport	494,445
		Internal Service Fund:	
		Risk Management	<u>78,468</u>
		Total	<u>\$ 2,274,211</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 did not make any transfers for the fiscal year end June 30, 2014.



**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 \$200,000. First payment on the note is due 3/13/2010 in amount of 20% of principal and accrued interest at 1% per annum. Payments will be forgiven as long as Brawley Beef, LLC follows certain employment covenants.	200,000
Loan to Merry Haynes & Sheila Riley, DBA The Rock Coffee Shop and Café receivable in installments of \$1,822.18 per month including interest at 4.75%. Secured by deed of trust.	79,369
HOME Investment Partnerships Program Loan to BESA, L.P., C/O Chelsea Investment Corporation. Annual payments are in the amount equal to 50% of the residual receipts from the apartment complex. Payments are due 90 days following the end of the calendar year with respect to the preceding year.	3,400,000
Loan to Edward and Martha Singh receivable in the installment of \$756.45 per month including interest at 6.5%. Secured by deed of trust.	42,409
Deferred notes receivable. No installment payments of principal or interest are required until the loans reach their maturity or underlying property is sold. Secured by deeds of trust.	<u>4,639,428</u>
	<u><u>\$ 8,459,178</u></u>

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance as of July 1, 2013	Additions	Deletions	Transfers	Prior Period Adjustments	Balance as of June 30, 2014
<b>Governmental Activities</b>						
Nondepreciable capital assets						
Land	\$ 966,706	\$ -	\$ -	\$ -	\$ -	\$ 966,706
Construction in progress	6,526,415	3,950,067	(14,463)	(5,047,920)		5,414,099
Total nondepreciable capital assets	7,493,121	3,950,067	(14,463)	(5,047,920)		6,380,805
Depreciable capital assets						
Equipment	7,599,237	496,613	(240,113)		(417,123)	7,438,614
Buildings	6,988,655			5,047,920		12,036,575
Improvements other than buildings	11,611,313	914,664				12,525,977
Infrastructure	15,859,854					15,859,854
Total depreciable capital assets	42,059,059	1,411,277	(240,113)	5,047,920	(417,123)	47,861,020
Less accumulated depreciation						
Equipment	(5,740,120)	(392,154)	192,088			(5,940,186)
Buildings	(2,887,864)	(185,816)				(3,073,680)
Improvements other than buildings	(3,540,735)	(704,506)				(4,245,241)
Infrastructure	(9,193,140)	(1,209,600)				(10,402,740)
Total accumulated depreciation	(21,361,859)	(2,492,076)	192,088			(23,661,847)
Net depreciable capital assets	20,697,200	(1,080,799)	(48,025)	5,047,920	(417,123)	24,199,173
Net capital assets	\$ 28,190,321	\$ 2,869,268	\$ (62,488)	\$ -	\$ (417,123)	\$ 30,579,978

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	1,126,757
Parks and recreation	189,122
Community development	205,970
Total	<u>\$ 2,492,076</u>

	Balance as of July 1, 2013	Additions	Deletions	Transfers	Balance as of June 30, 2014
<b>Business-type Activities</b>					
Nondepreciable capital assets					
Land	\$ 37,076	\$ -	\$ -	\$ -	\$ 37,076
Construction in progress	148,322	3,215,299		(148,323)	3,215,298
Total nondepreciable capital assets	185,398	3,215,299		(148,323)	3,252,374
Depreciable capital assets					
Equipment	2,608,245	234,300			2,842,545
Buildings	56,313,871			148,323	56,462,194
Improvements other than buildings	6,522,329				6,522,329
Conveyance systems	34,714,528				34,714,528
Total depreciable capital assets	100,158,973	234,300		148,323	100,541,596
Less accumulated depreciation					
Equipment	(1,813,186)	(71,977)			(1,885,163)
Buildings	(13,518,522)	(1,421,164)			(14,939,686)
Improvements other than buildings	(2,769,347)	(281,881)			(3,051,228)
Conveyance systems	(13,939,886)	(719,618)			(14,659,504)
Total accumulated depreciation	(32,040,941)	(2,494,640)			(34,535,581)
Net depreciable capital assets	68,118,032	(2,260,340)		148,323	66,006,015
Net capital assets	\$ 68,303,430	\$ 954,959	\$ -	\$ -	\$ 69,258,389

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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

Water	\$ 1,308,758
Wastewater	940,022
Airport	<u>245,860</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 2,494,640</u></u>

**NOTE 7 –LONG-TERM DEBT**

***Governmental Activities***

The following is a summary of long-term debt activity of the City’s governmental activities for the fiscal year ended June 30, 2014:

	Balance as of July 1, 2013	Additions	Reductions	Balance as of June 30, 2014	Due Within One Year
<b>Governmental Activities:</b>					
Capital lease	71,295		(16,191)	55,104	16,191
Compensated absences	<u>1,278,698</u>	935,938	(935,938)	<u>1,278,698</u>	
Total long-term liabilities	<u><u>\$ 1,349,993</u></u>	<u><u>\$ 935,938</u></u>	<u><u>\$ (952,129)</u></u>	<u><u>\$ 1,333,802</u></u>	<u><u>\$ 16,191</u></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, 2014, including interest are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 17,110	\$ 3,675	\$ 20,785
2016	18,220	2,274	20,494
2017	<u>19,774</u>	<u>1,301</u>	<u>21,075</u>
Total	<u><u>\$ 55,104</u></u>	<u><u>\$ 7,250</u></u>	<u><u>\$ 62,354</u></u>

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

***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, 2014:

	Balance as of July 1, 2013	Additions	Reductions	Balance as of June 30, 2014	Due Within One Year
<b>Business-type Activities:</b>					
Contracts payable	\$ 10,123,228	\$ -	\$ (1,151,588)	\$ 8,971,640	\$ 1,654,398
Deferred gain	888,327		(192,951)	695,376	170,936
Unamortized discount	(1,341,267)		288,429	(1,052,838)	(256,921)
Certificates of participation	630,000		(200,000)	430,000	220,000
Unamortized discount	(9,392)		5,146	(4,246)	(3,138)
Revenue bonds payable	2,715,000		(180,000)	2,535,000	185,000
Unamortized premium	16,326		(2,435)	13,891	2,307
Bonds payable	75,500		(18,100)	57,400	18,100
CSWRCB Loan	13,985,872		(671,993)	13,313,879	678,712
Compensated absences	262,364	282,829	(282,829)	262,364	
Total long-term liabilities	<u>\$ 27,345,958</u>	<u>\$ 282,829</u>	<u>\$ (2,406,321)</u>	<u>\$ 25,222,466</u>	<u>\$ 2,669,394</u>

***Water Enterprise Fund: Contracts Payable and Defeased Certificates of Participation***

On May 5, 1998, the Brawley Public Improvement Corporation sold Certificates of Participation in the amount of \$17,755,000 with an average interest rate of 4.88% to advance refund \$17,755,000 of then outstanding 1996 Certificates of Participation with an average interest rate of 6.27%. As a result, the 1996 Certificates are considered to be defeased and the liability for those certificates has been removed from the Water Enterprise Fund. The balance of the 1996 refunded certificates outstanding as of June 30, 2014 is \$13,660,000.

On July 2, 2001, the City borrowed \$15,823,475 from the California Department of Water Resources (DOWR), at an interest rate of 0 %, to advance refund \$16,050,000 of outstanding 1998 Certificates of Participation with an average interest rate of 4.88 %. The proceeds were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 Certificates of Participation. As a result, the 1998 Certificates are considered to be defeased and the liability for those certificates has been removed from the Water Enterprise Fund. The balance of 1998 refunded certificates outstanding as of June 30, 2014 is \$11,960,000.

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, 2014, including deferred gain of \$522,770, and net of unamortized discount of \$880,232 is \$5,576,340. Debt service requirements to maturity on the contract, which includes imputed interest, are as follows:

Fiscal Year Ending June 30,	Principal	Imputed Interest	Total
2015	\$ 970,281	\$ 216,480	\$ 1,186,761
2016	602,572	188,602	791,174
2017	631,804	159,370	791,174
2018	662,451	128,722	791,173
2019	694,587	96,586	791,173
2020-2021	1,491,895	90,452	1,582,347
	<u>\$ 5,053,590</u>	<u>\$ 880,212</u>	<u>\$ 5,933,802</u>

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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

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, 2014, including deferred gain of \$172,606, and net of unamortized discount of \$172,606 is \$1,651,004. Debt service requirements to maturity which includes imputed interest, are as follows:

Fiscal Year Ending June 30,	Principal	Imputed Interest	Total
2015	\$ 269,123	\$ 40,441	\$ 309,564
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
2020-2022	493,281	22,655	515,936
	<u>\$ 1,478,398</u>	<u>\$ 172,606</u>	<u>\$ 1,651,004</u>

*Water Enterprise Fund: Revenue Bonds Payable*

On October 1, 2004, the City participated in a pooled revenue bond issue with the California Statewide Communities Development Authority (CSCDA). The CSCDA issued \$4,000,000 of revenue bonds on behalf of the City for its Water enterprise fund, at an average interest rate of 4.37% and a final maturity of October 1, 2024. The balance payable as of June 30, 2014, including unamortized premium of \$13,890 is \$2,548,890. Debt service requirements to maturity on the revenue bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 185,000	\$ 111,892	\$ 296,892
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
2020-2024	1,245,000	233,125	1,478,125
2025	285,000	7,125	292,125
	<u>\$ 2,535,000</u>	<u>\$ 724,560</u>	<u>\$ 3,259,560</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, 2014 is \$57,400. Debt service requirements to maturity on the Water District Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 18,100	\$ 2,870	\$ 20,970
2016	19,100	1,965	21,065
2017	20,200	1,010	21,210
	<u>\$ 57,400</u>	<u>\$ 5,845</u>	<u>\$ 63,245</u>

**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

*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, 2014 is \$1,386,834. Debt service requirements to maturity on the contract are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 158,074	\$ 34,265	\$ 192,339
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
2020-2022	553,951	22,020	575,971
	<u>\$ 1,386,834</u>	<u>\$ 150,270</u>	<u>\$ 1,537,104</u>

*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, 2014, net of unamortized discount of \$4,246 is \$425,754. 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 13,313,879 at June 30, 2014. Annual debt service requirements for the CSWRCB Loan are shown below:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 678,712	\$ 133,139	\$ 811,851
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
2020-2024	3,638,719	420,536	4,059,255
2025-2029	3,824,328	234,927	4,059,255
2030-2033	2,388,716	47,951	2,436,667
	<u>\$ 13,313,879</u>	<u>\$ 1,300,553</u>	<u>\$ 14,614,432</u>

**NOTE 8 – RISK MANAGEMENT**

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

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

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

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

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

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

**NOTE 10 – 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, 2014, the amounts of bonds outstanding totaled \$5,200,000.

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

**NOTE 11 – JOINT VENTURES**

Local Transportation Authority:

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

**NOTE 11 – JOINT VENTURES (CONTINUED)**

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

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

Imperial Valley Emergency Communications Authority:

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

**NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS AND PLANS**

**A. Plan Description**

The City's defined benefit pension plan, the California Public Employees' Retirement System, provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The California Public Employees' Retirement System is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

**B. Funding Policy**

Employees pay 7% (9% for safety employees) of their annual covered salary as active plan members in the City's defined pension plan. The City makes the contributions required of the City employees on their behalf and for their account. The City is required to contribute at an actuarially determined combined rate of 13.309% for miscellaneous employees and 32.181% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS. The City's contributions to CalPERS for the miscellaneous plan for the fiscal years ending June 30, 2014, 2013, and 2012 were \$784,232, \$754,826, and \$603,260 respectively, and equal to 100% of the required contributions for each fiscal year. The City's contributions to CalPERS for the safety plan for the fiscal years ending June 30, 2014, 2013, and 2012 were \$1,020,123, \$1,002,678, and \$936,152 respectively and equal to 100% of the required contributions for each fiscal year.

**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, 2014, and through February 5, 2015, 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.



**CITY OF BRAWLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 14 – SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)**

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, 2014, consisted of the following:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due within one year
Tax Allocation Bonds	\$ 5,290,000	\$ -	\$ (130,000)	\$ 5,160,000	\$ 135,000
Totals	<u>\$ 5,290,000</u>	<u>\$ -</u>	<u>\$ (130,000)</u>	<u>\$ 5,160,000</u>	<u>\$ 135,000</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, 2014 is \$5,160,000.

The scheduled annual minimum debt service requirements at June 30, 2014 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2015	\$ 135,000	\$ 234,527	\$ 369,527
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
2020-2024	895,000	944,809	1,839,809
2025-2029	1,125,000	719,489	1,844,489
2030-2034	1,395,000	429,475	1,824,475
2035-2037	1,015,000	77,875	1,092,875
Totals	<u>\$ 5,160,000</u>	<u>\$ 3,287,129</u>	<u>\$ 8,447,129</u>

**NOTE 15 – PRIOR PERIOD ADJUSTMENT**

The prior period adjustment in the Risk Management Internal Service fund of (\$119,032) and in the Maintenance Internal Service fund of (\$298,092) were due to overstatements of fixed assets in the prior fiscal year.

The prior period adjustment in the Water fund of (\$53,241) was due to implementation of GASB Statement No.65.

The prior period adjustment in the Wastewater fund of (\$1,607,480) and Gas Tax fund \$31,584 was due to an overstatement and understatement of receivables in the prior fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BRAWLEY**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Utility users	\$ 2,111,892	\$ 2,111,892	\$ 2,242,076	\$ 130,184
Transient lodging	270,746	270,746	322,764	52,018
Franchise	639,000	639,000	509,074	(129,926)
Business license	45,000	45,000	47,495	2,495
Licenses and permits	169,550	169,550	264,354	94,804
Fines and forfeitures	100,000	100,000	42,139	(57,861)
Use of money and property	20,000	20,000	49,942	29,942
Intergovernmental	6,844,427	6,844,427	6,952,639	108,212
Charges for services	3,669,749	3,669,749	3,600,023	(69,726)
Miscellaneous	133,000	133,000	179,429	46,429
Total revenues	14,003,364	14,003,364	14,209,935	206,571
<b>EXPENDITURES</b>				
Current:				
General government	2,147,478	2,147,478	2,369,996	(222,518)
Public safety	7,768,250	7,768,250	7,736,750	31,500
Culture and leisure	2,155,204	2,155,204	2,087,036	68,168
Community development	1,729,432	1,729,432	1,560,253	169,179
Capital outlay	310,000	310,000	300,270	9,730
Total expenditures	14,110,364	14,110,364	14,054,305	56,059
Excess of revenues over (under) expenditures	(107,000)	(107,000)	155,630	262,630
Net change in fund balance	(107,000)	(107,000)	155,630	262,630
Fund Balance - July 1, 2013	4,107,880	4,107,880	4,472,522	364,642
Fund Balance - June 30, 2014	\$ 4,000,880	\$ 4,000,880	\$ 4,628,152	\$ 627,272

**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, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 276,000	\$ 276,000	\$ 189,497	\$ (86,503)
Intergovernmental			165,464	165,464
Total revenues	276,000	276,000	354,961	78,961
<b>EXPENDITURES</b>				
Current:				
Community development			202,298	(202,298)
Total expenditures			202,298	(202,298)
Net change in fund balance	276,000	276,000	152,663	(123,337)
Fund Balance (Deficit) - July 1, 2013	874,897	874,897	(27,517)	(902,414)
Fund Balance (Deficit) - June 30, 2014	<u>\$ 1,150,897</u>	<u>\$ 1,150,897</u>	<u>\$ 125,146</u>	<u>\$ (1,025,751)</u>

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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, 2014**

	Special Revenue Funds				
	Gas Tax	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking	Dial -a- Ride
<b>ASSETS</b>					
Cash and investments	\$ 1,046,654	\$ 2,231,783	\$ 185,140	\$ -	\$ 51,139
Restricted cash and investments with fiscal agents					
Interest receivable	475	1,059	11		
Accounts receivable				850	
Due from other governments		89,141		28	
	<u>1,047,129</u>	<u>2,321,983</u>	<u>185,151</u>	<u>878</u>	<u>51,139</u>
Total assets	<u>\$ 1,047,129</u>	<u>\$ 2,321,983</u>	<u>\$ 185,151</u>	<u>\$ 878</u>	<u>\$ 51,139</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 30,698	\$ 17,102	\$ 189	\$ -	\$ -
Due to other funds				1,076	
	<u>30,698</u>	<u>17,102</u>	<u>189</u>	<u>1,076</u>	
Total liabilities	<u>30,698</u>	<u>17,102</u>	<u>189</u>	<u>1,076</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unearned revenue	<u>85,377</u>				
Total deferred inflows of resources	<u>85,377</u>				
Total liabilities and deferred inflows of resources	<u>116,075</u>	<u>17,102</u>	<u>189</u>	<u>1,076</u>	
Fund balances:					
Restricted for:					
Streets and roads	931,054	2,304,881	184,962		51,139
Public safety					
Community development					
Assessment districts					
Parks and recreation					
Unassigned				(198)	
Total fund balances <deficits>	<u>931,054</u>	<u>2,304,881</u>	<u>184,962</u>	<u>(198)</u>	<u>51,139</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,047,129</u>	<u>\$ 2,321,983</u>	<u>\$ 185,151</u>	<u>\$ 878</u>	<u>\$ 51,139</u>



Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
Law Enforcement	Successor Agency Housing	Assessment Districts	Park Projects	Streets	Development Impact	
\$ 555,521	\$ -	\$ 706,240	\$ -	\$ -	\$ 1,366,938	\$ 6,143,415
		38,180				38,180
262		353			604	2,764
						850
212,682		89,053	128,787	2,800,751		3,320,442
<u>\$ 768,465</u>	<u>\$ -</u>	<u>\$ 833,826</u>	<u>\$ 128,787</u>	<u>\$ 2,800,751</u>	<u>\$ 1,367,542</u>	<u>\$ 9,505,651</u>
\$ 18,210	\$ 3,255	\$ 3,800	\$ 2,311	\$ 183,406	\$ 141,582	\$ 400,553
	847		122,619	1,576,756		1,701,298
18,210	4,102	3,800	124,930	1,760,162	141,582	2,101,851
1,024						86,401
1,024						86,401
19,234	4,102	3,800	124,930	1,760,162	141,582	2,188,252
749,231				1,040,589		4,512,625
					1,225,960	749,231
		830,026				1,225,960
			3,857			830,026
	(4,102)					3,857
						(4,300)
749,231	(4,102)	830,026	3,857	1,040,589	1,225,960	7,317,399
<u>\$ 768,465</u>	<u>\$ -</u>	<u>\$ 833,826</u>	<u>\$ 128,787</u>	<u>\$ 2,800,751</u>	<u>\$ 1,367,542</u>	<u>\$ 9,505,651</u>

**CITY OF BRAWLEY**

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

NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds				
	Gas Tax	Measure D	Pedestrian & Bicycle Facilities	Downtown Parking	Dial -a-Ride
<b>REVENUES</b>					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services				1,024	24,705
Use of money and property	2,529	5,121	137		
Intergovernmental	849,499	1,577,259	294,048		215,435
Miscellaneous	58,462	1,257			
Total revenues	910,490	1,583,637	294,185	1,024	240,140
<b>EXPENDITURES</b>					
Current:					
Public safety					
Community development					
Culture and leisure					
Transportation	630,089	900,447	8,235		259,177
Capital outlay			397,972		
Total expenditures	630,089	900,447	406,207		259,177
Net change in fund balances	280,401	683,190	(112,022)	1,024	(19,037)
Fund Balances (Deficit) - beginning of fiscal year	619,069	1,621,691	296,984	(1,222)	70,176
Prior Period Adjustments	31,584				
Fund Balances (Deficit) - beginning of fiscal year, restated	650,653	1,621,691	296,984	(1,222)	70,176
Fund Balances (Deficit) - end of fiscal year	\$ 931,054	\$ 2,304,881	\$ 184,962	\$ (198)	\$ 51,139

Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
Law Enforcement	Successor Agency Housing	Assessment Districts	Park Projects	Streets	Development Impact	
\$ -	\$ -	\$ 195,056	\$ -	\$ -	\$ -	\$ 195,056
20,445					186,689	232,863
1,782		1,872		669	4,187	16,297
183,181		39,063	256,494	3,424,316		6,839,295
32,540				5,280	42,631	140,170
237,948		235,991	256,494	3,430,265	233,507	7,423,681
107,353		18,454	256,498	64,325	8,795	107,353
						91,574
						256,498
						1,797,948
206,850				3,550,380	837,400	4,992,602
314,203		18,454	256,498	3,614,705	846,195	7,245,975
(76,255)		217,537	(4)	(184,440)	(612,688)	177,706
825,486	(4,102)	612,489	3,861	1,225,029	1,838,648	7,108,109
						31,584
825,486	(4,102)	612,489	3,861	1,225,029	1,838,648	7,139,693
\$ 749,231	\$ (4,102)	\$ 830,026	\$ 3,857	\$ 1,040,589	\$ 1,225,960	\$ 7,317,399

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**INTERNAL SERVICE FUNDS**

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

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

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

**CITY OF BRAWLEY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2014**

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 1,991,952	\$ -	\$ 1,991,952
Interest receivable	976		976
Due from other governments	166,138		166,138
Notes receivable	180,844		180,844
Total Current Assets	<u>2,339,910</u>		<u>2,339,910</u>
Noncurrent Assets:			
Capital Assets:			
Equipment	1,859,035		1,859,035
Total Capital Assets	1,859,035		1,859,035
Less Accumulated Depreciation	(1,396,546)		(1,396,546)
Net Capital Assets	<u>462,489</u>		<u>462,489</u>
Total Noncurrent Assets	<u>462,489</u>		<u>462,489</u>
Total Assets	<u>2,802,399</u>		<u>2,802,399</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	16,340	35,157	51,497
Due to other funds		78,468	78,468
Total Current Liabilities	<u>16,340</u>	<u>113,625</u>	<u>129,965</u>
Noncurrent Liabilities:			
Compensated absences	21,291		21,291
Claims payable		6,682	6,682
Total Noncurrent Liabilities	<u>21,291</u>	<u>6,682</u>	<u>27,973</u>
Total Liabilities	<u>37,631</u>	<u>120,307</u>	<u>157,938</u>
<b>NET POSITION</b>			
Net investment in capital assets	462,489		462,489
Unrestricted	2,302,279	(120,307)	2,181,972
Total Net Position	<u>\$ 2,764,768</u>	<u>\$ (120,307)</u>	<u>\$ 2,644,461</u>

**CITY OF BRAWLEY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Maintenance</u>	Risk <u>Management</u>	<u>Totals</u>
Revenues:			
Charges for services	\$ 278,688	\$ 2,257,766	\$ 2,536,454
Use of money and property	404,707		404,707
Total Revenues	<u>683,395</u>	<u>2,257,766</u>	<u>2,941,161</u>
Expenses:			
Salary and benefits	234,619		234,619
Supplies and services	311,404	2,436,823	2,748,227
Depreciation	131,842		131,842
Total Expenses	<u>677,865</u>	<u>2,436,823</u>	<u>3,114,688</u>
Operating Income (Loss)	<u>5,530</u>	<u>(179,057)</u>	<u>(173,527)</u>
Non-Operating Revenue (Expenses)			
Intergovernmental revenue	266,878		266,878
Interest income	5,458		5,458
Total Non-Operating Revenue	<u>272,336</u>		<u>272,336</u>
Change in Net Assets	277,866	(179,057)	98,809
Net Position - Beginning of Fiscal Year	<u>2,784,994</u>	<u>177,782</u>	<u>2,962,776</u>
Prior Period Adjustments	<u>(298,092)</u>	<u>(119,032)</u>	<u>(417,124)</u>
Net Position - Beginning of Fiscal Year, Restated	<u>2,486,902</u>	<u>58,750</u>	<u>2,545,652</u>
Net Position - End of Fiscal Year	<u>\$ 2,764,768</u>	<u>\$ (120,307)</u>	<u>\$ 2,644,461</u>

**CITY OF BRAWLEY**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2014

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from users	\$ 683,395	\$ 2,257,766	\$ 2,941,161
Cash payments to suppliers and contractors	(300,413)	(1,516,892)	(1,817,305)
Cash payments for employees and benefit programs	(234,619)		(234,619)
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>148,363</u>	<u>740,874</u>	<u>889,237</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Interfund borrowing (repayment)		(750,557)	(750,557)
Intergovernmental revenue (expense)	266,878	9,683	276,561
<b>Net Cash Provided (Used) By Non-Capital Financing Activities</b>	<u>266,878</u>	<u>(740,874)</u>	<u>(473,996)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of capital assets	(510,789)		(510,789)
Loan repayment	120,211		120,211
<b>Net Cash Provided (Used) By Capital and Related Financing Activities</b>	<u>(390,578)</u>		<u>(390,578)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	5,569		5,569
<b>Net Cash Provided In Investing Activities</b>	<u>5,569</u>		<u>5,569</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>30,232</u>		<u>30,232</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR</b>	<u>1,961,720</u>		<u>1,961,720</u>
<b>CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR</b>	<u>\$ 1,991,952</u>	<u>\$ -</u>	<u>\$ 1,991,952</u>
<b>Reconciliation with Statement of Net Position</b>			
Cash and investments	\$ 1,991,952	\$ -	\$ 1,991,952
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 1,991,952</u>	<u>\$ -</u>	<u>\$ 1,991,952</u>

(Continued)



**CITY OF BRAWLEY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2014 (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>\$ 5,530</u>	<u>\$ (179,057)</u>	<u>\$ (173,527)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Depreciation	131,842		131,842
(Increase) Decrease prepaid expenditures		884,774	884,774
Increase (Decrease) accounts payable and accrued liabilities	<u>10,991</u>	<u>35,157</u>	<u>46,148</u>
Total Adjustments	<u>142,833</u>	<u>919,931</u>	<u>1,062,764</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 148,363</u></u>	<u><u>\$ 740,874</u></u>	<u><u>\$ 889,237</u></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

Tanya M. Rogers, CPA, CFE

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, 2014, 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 20, 2015.

**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 20, 2015.

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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 20, 2015