



# City of Brawley

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## Annual Financial Report

Fiscal Year Ended  
June 30, 2023

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*City of Brawley*  
Brawley, California

**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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To the Citizens of Brawley, the Honorable Mayor, and Members of the City Council:

It is with great pleasure that we present the Annual Financial Report for the City of Brawley for the fiscal year ending June 30, 2023. This report, prepared by the Finance Department, serves the interests of City Council Members, citizens, investors, grantors, employees, and other stakeholders invested in the financial well-being of our City.

The Annual Financial Report provides a detailed account of the City's financial activities. This transmittal letter offers a summary of the City's finances, services, achievements, and economic outlook. For a more in-depth analysis, please refer to the Management's Discussion and Analysis (MD&A) section, which follows the independent auditor's report. The MD&A provides a comprehensive overview of the basic financial statements and complements this summary.

The accuracy and completeness of the financial disclosures are the responsibility of the City of Brawley. We believe the enclosed data is accurate and presented in a manner that fairly reflects the financial position and results of City operations. The report adheres to Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) Statements.

Rogers, Anderson, Malody & Scott LLP, Certified Public Accountants, has provided an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2023. This represents the highest level of assurance regarding the accuracy and reliability of our financial statements.

### **Government Profile**

Brawley is located in the southeastern part of California, in Imperial County. Despite its desert environment, the area is one of the most fertile agricultural regions in the U.S., thanks to water from the All American Canal and an extensive system of canals. As of June 30, 2023, the City's population was 27,849.

Incorporated on April 6, 1908, Brawley operates as a general law city under a council/manager form of government. The City is governed by a five-member City Council with members serving four-year terms on a staggered schedule. The City Council elects a Mayor annually, and the City Manager, appointed by the Council, oversees day-to-day operations.

Brawley is a full-service city, providing police, fire, street maintenance, parks, recreation, library, water, sewer, solid waste, airport, housing, planning, building inspection, and general administrative services.

## **Local Economy**

As of June 2023, Brawley's unemployment rate was 14.5%, compared to 17.3% in Imperial County and 4.6% statewide. Major industries include service stations, quick-service restaurants, and farm/construction equipment. Key sales tax contributors are Arco AM PM, Jordan Implement, Pilot Travel Center, RDO Water, and Walmart Supercenter.

In 2022/23, the City issued 149 building permits, with 70% allocated to residential developments and the remainder to commercial projects. Upcoming projects include rehabilitating main avenues such as Legion Road, and Main Street, aimed at boosting economic development revitalizing the downtown area. Additionally, development projects under review include hotel expansions, discount retailers, and fast food establishments.

## **Long-Term Financial Planning**

The City is committed to sound long-term financial governance and planning for capital improvements and liabilities. In 2022/23, the General Fund's balance increased by nearly \$3 million compared to the previous year. Savings were achieved through expense management, including vacancies and deferred projects. A portion of these savings has been allocated to Committed Reserves for capital replacements, public safety personnel, and operational carryovers for ongoing projects.

In June 2023, the City Council adopted a budget with a deficit of \$188,360. To maintain service levels, the City utilized general fund reserves. The 2023/24 budget ensures continued funding for essential services, including police, fire, and infrastructure maintenance.

## **Future Outlook**

The City of Brawley looks forward to ongoing economic prosperity, efficient resource use, and long-term fiscal stability. We remain dedicated to serving our community effectively and prudently managing our resources.

## **Acknowledgements**

We would like to express our sincere appreciation to the City Council for their steadfast oversight of the City's financial affairs and their prudent guidance on fiscal, economic, and land use policies. Their leadership has been instrumental in ensuring the City's financial health and strategic direction.

We also extend our gratitude to the City staff, with special recognition to the Finance Department, for their dedication to providing accurate financial data and for their



exceptional work in preparing this report. Their continued efforts are crucial in maintaining transparency and accountability in our financial reporting.

Thank you for your commitment to the City's success and the well-being of our community.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tyler Salcido', with a long horizontal flourish extending to the right.

Tyler Salcido, City Manager

A handwritten signature in blue ink, appearing to read 'Silvia Luna', with a long horizontal flourish extending to the right.

Silvia Luna, Finance Director

# City of Brawley

## List of Principal Officers

As of June 30, 2023

### City Council

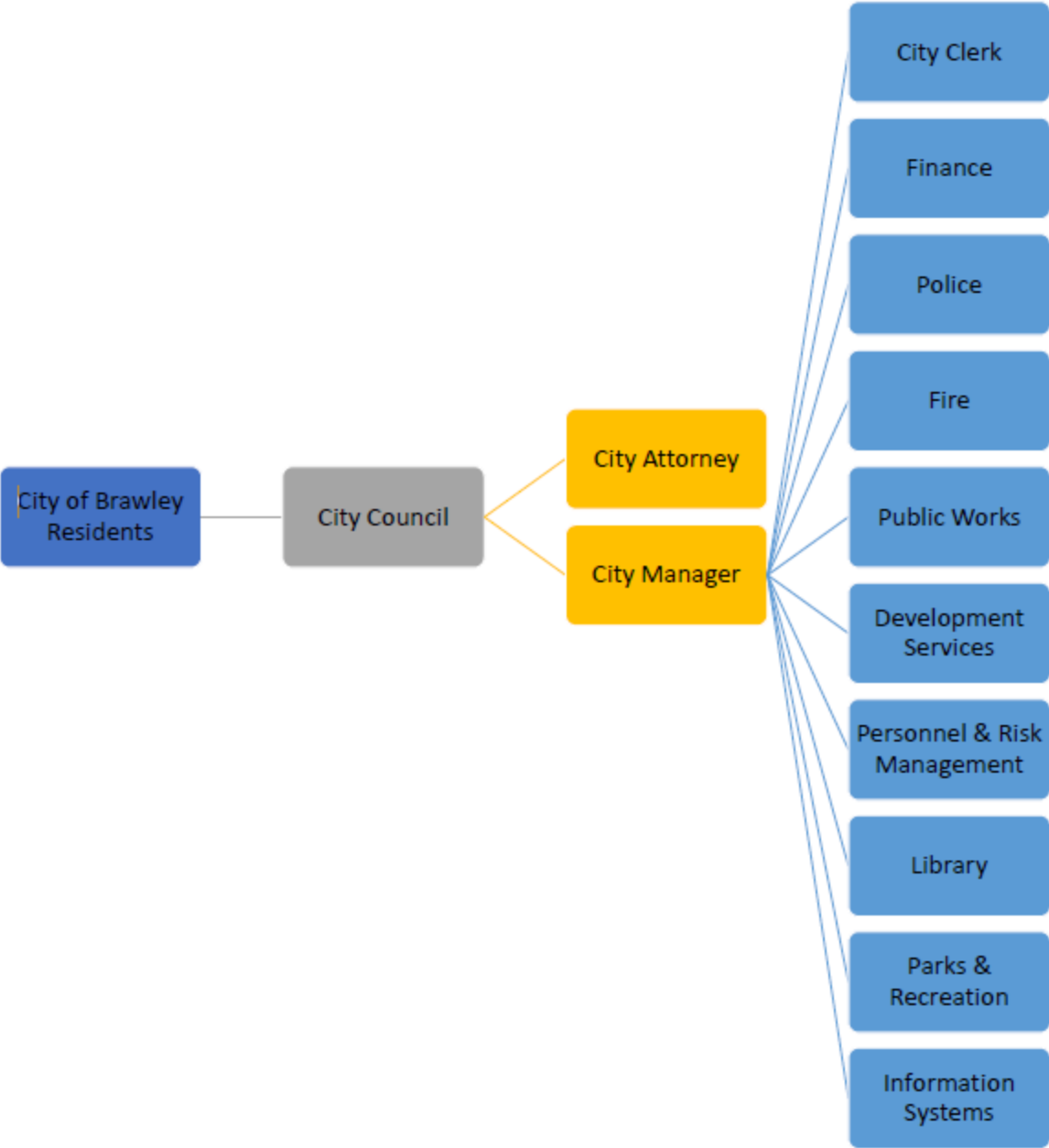
George Nava - Mayor  
Ramon Castro – Mayor Pro-Tempore  
Donald Wharton - Council Member  
Luke Hamby - Council Member  
Gilbert Rebolgar– Council Member



### City Staff

Tyler Salcido - City Manager  
William Smerdon - City Attorney/City Treasurer  
Thomas Garcia – Assistant to the City Manager  
Alma Benavides - City Clerk  
Silvia Luna – Interim Finance Director  
Jimmy Duran - Chief of Police  
Michael York - Fire Chief  
Romualdo Medina - Director of Public Works Operations  
Vacant - Development Services Director  
Shirley Bonillas - Human Resources Administrator  
Petra Ortega - Library Manager  
Rachel Fonseca - Parks and Recreation Manager  
Armando Garibay - Information Technology Director

City of Brawley, California  
**ORGANIZATIONAL CHART**



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## **FINANCIAL SECTION**

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ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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San Bernardino, CA 92408  
909 889 0871 T  
909 889 5361 F  
ramscpa.net

## *Independent Auditor's Report*

### **PARTNERS**

Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jenny W. Liu, CPA, MST  
Gardenya Duran, CPA, CGMA  
Brianna Schultz, CPA, CGMA  
Brenda L. Odle, CPA, MST (Partner Emeritus)  
Terry P. Shea, CPA (Partner Emeritus)

### **MANAGERS / STAFF**

Seong-Hyea Lee, CPA, MBA  
Evelyn Morentin-Barcena, CPA  
Veronica Hernandez, CPA  
Laura Arvizu, CPA  
John Maldonado, CPA, MSA  
Julia Rodriguez Fuentes, CPA, MSA  
Demi Hite, CPA  
Jeffrey McKennan, CPA  
Monica Wysocki, CPA

### **MEMBERS**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants

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

## **Report on the Audit of the Financial Statements**

### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Brawley (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, 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.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### ***Other Matters***

As discussed in note 1 to the financial statements, in the year ended June 30, 2023, the City adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to these matters.

### ***Responsibilities of Management for the Financial Statements***

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.



- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, such as the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information 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.

### ***Other Information***

Management is responsible for the other information. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
August 23, 2024

# *City of Brawley*

## **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023**

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As management of the City of Brawley (City), we offer readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. Our intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the City. The analysis will focus on changes from prior year to explain the City overall financial condition. Please read this analysis in conjunction with the financial statements, which follow this section.

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

### **FINANCIAL HIGHLIGHTS**

Financial highlights of fiscal year ended June 30, 2023 include the following:

#### **Government-wide:**

- The City's total net position was \$128,713,268 as of June 30, 2023. Of this total, \$48,511,509 was governmental net position and \$80,201,759 was business-type net position.
- Revenues for governmental activities include program revenues of \$13,154,726 and general revenues and transfers of \$15,216,459, for a total of \$28,371,185.
- Expenses for governmental activities were \$30,536,503.
- Business-type program revenues, interest and transfers were \$16,324,229 while business-type expenses were \$15,178,457.

#### **Fund Level:**

- Governmental fund balances increased \$3,594,601 in fiscal year 2023 prior to prior period adjustments.
- Governmental fund revenues increased \$2,723,836 in fiscal year 2023 due to increased collection of taxes, increased charges for services, and availability of grant reimbursements.
- Governmental fund expenditures increased \$5,346,459 in fiscal year 2023 largely due to increased expenditures in public safety, community development, and culture and leisure.

#### **General Fund:**

- General Fund revenues increased \$2,483,937 in fiscal year 2023.
- General Fund expenditures increased \$1,570,667 in fiscal year 2023.
- General Fund balance increased \$ 3,045,115 in fiscal year 2023.

## **OVERVIEW OF THE ANNUAL FINANCIAL REPORT**

This Annual Financial Report is divided into five parts:

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

### **Government-wide Financial Statements**

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

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

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

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

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

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

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

**OVERVIEW OF THE ANNUAL FINANCIAL REPORT (continued)**

**Fund Financial Statements**

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

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

In the City's case, there are six major governmental funds in addition to the General Fund - Economics and Community Development, American Rescue Plan Act (ARPA), Highway Relinquishment, Measure D, and Development Impact, and Streets.

The City reports 2 major enterprise funds- Water and Wastewater.

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

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

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

# City of Brawley

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

### FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

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

Table 1

	<b>Governmental Activities 2023</b>	<b>Governmental Activities 2022</b>
<b>Assets</b>		
Cash and investments	\$ 43,581,799	\$ 37,876,582
Other assets	10,587,516	10,323,352
Capital assets, net	32,524,211	30,628,520
Net pension asset	-	1,960,134
<b>Total Assets</b>	<b>86,693,526</b>	<b>80,788,588</b>
<b>Deferred Outflows of Resources</b>		
Pension related	12,574,483	5,775,672
OPEB related	674,176	782,903
<b>Total Deferred Outflows of Resources</b>	<b>13,248,659</b>	<b>6,558,575</b>
<b>Liabilities</b>		
Other liabilities	16,183,452	13,718,416
Long term liabilities	11,750,960	12,767,721
Net pension liability	13,032,474	-
Total OPEB Liability	3,593,630	4,299,532
<b>Total Liabilities</b>	<b>44,560,516</b>	<b>30,785,669</b>
<b>Deferred Inflows of Resources</b>		
Pension related	4,475,513	4,147,103
OPEB related	2,394,647	1,737,564
<b>Total Deferred Inflows of Resources</b>	<b>6,870,160</b>	<b>5,884,667</b>
<b>Net Position</b>		
Net investment in capital assets	31,253,193	29,989,414
Restricted	28,872,769	27,841,568
Unrestricted	(11,614,453)	(7,154,155)
<b>Total Net Position</b>	<b>\$ 48,511,509</b>	<b>\$ 50,676,827</b>

# City of Brawley

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

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### FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE (continued)

The City's governmental net position amounted to \$48,511,509 as of June 30, 2023, a decrease of \$2,165,318 from the prior fiscal year before prior period adjustments. The City's net position as of June 30, 2023 comprised the following:

Cash and investments comprised \$43,581,799. Substantially all of these amounts were held in short-term investments in government securities, as detailed in Note 3 to the financial statements.

Receivables comprised \$2,532,298 of current receivables and loans receivable of \$8,019,507 that is due over longer periods of time as explained in the Notes.

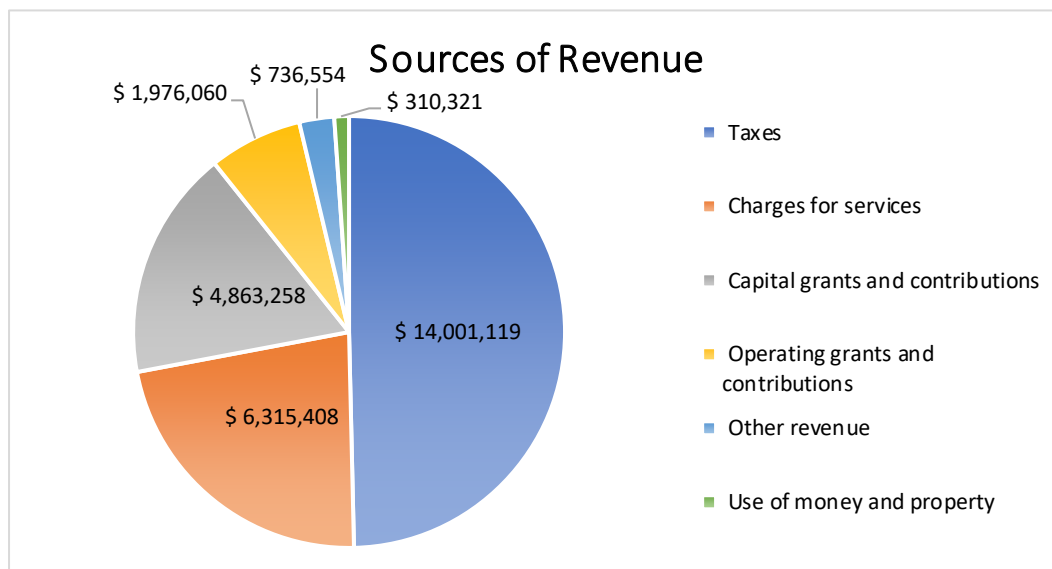
Capital assets of \$32,524,211 net of depreciation charges, which included all the City's capital assets used in governmental activities.

Current liabilities, including accounts payable, claims and other amounts due currently, totaled \$15,007,879.

Long-term liabilities of \$29,552,637 includes the net pension liability but not the current portion of long-term debt.

Net investment in capital assets of \$31,253,193, representing the City's investment in capital assets used in governmental activities, any cash with fiscal agent associated with capital asset related debt net of accumulated depreciation, and amounts borrowed to finance those investments.

Unrestricted net position, the part of net positions that can be used to finance day to day operations without constraints established by debt covenants or other legal requirements or restrictions, was \$(11,614,453) as of June 30, 2023 due to the size of the net pension liability.

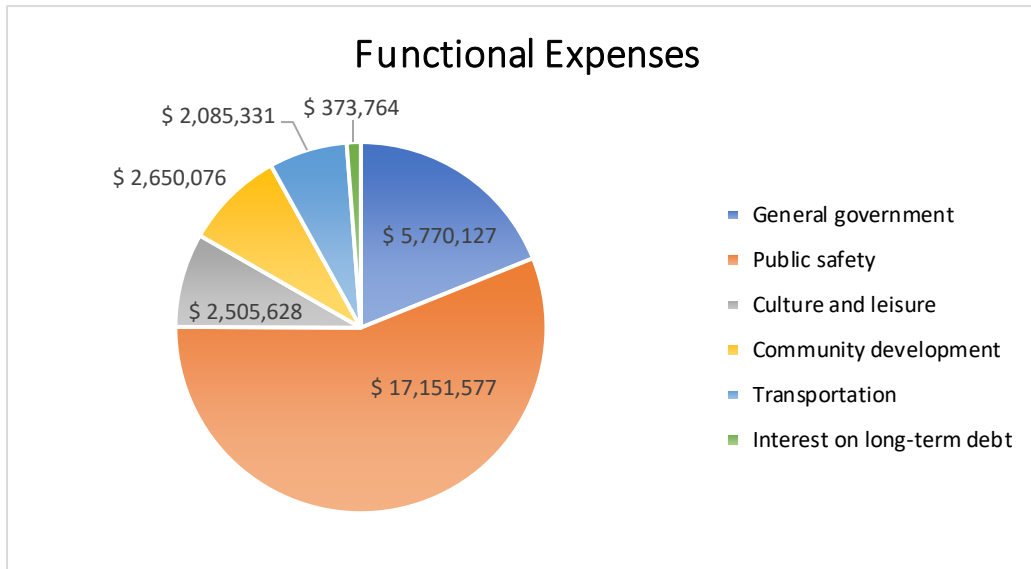


# City of Brawley

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

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As the Sources of Revenue chart above shows, \$14,001,119, or 50% of the City's fiscal year 2023 governmental activities revenue came from taxes, while \$6,315,408, or 22% came from charges for services, \$4,863,258 or 17%, came from capital grants and contributions, \$1,976,060 or 7% came from operating grants and contributions, and the remainder came from a variety of sources including interest revenue.



The Functional Expenses chart above includes only current year expenses; it does not include capital outlays, which are added to the City's capital assets. As the chart shows, general government was \$5,770,127 or 19%, of total governmental expenses, public safety was \$17,151,577, or 56%, culture and leisure was \$2,505,628, or 8%, community development was \$2,650,076, or 9%, and transportation was \$2,085,331 or 7%, the remainder is composed of interest expense.



# City of Brawley

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

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

Table 2

	<b>Governmental Activities 2023</b>	<b>Governmental Activities 2022</b>
<b>Expenses</b>		
General government	\$ 5,770,127	\$ 4,171,987
Public safety	17,151,577	700,927
Culture and leisure	2,505,628	1,601,000
Community development	2,650,076	619,594
Transportation	2,085,331	1,435,447
Interest on long-term debt	373,764	478,448
<b>Total Expenses</b>	<b>30,536,503</b>	<b>9,007,403</b>
<b>Revenues</b>		
<b>Program revenues</b>		
Charges for services	6,315,408	5,975,855
Operating grants and contributions	1,976,060	2,812,004
Capital grants and contributions	4,863,258	3,904,909
<b>Total Program Revenues</b>	<b>13,154,726</b>	<b>12,692,768</b>
<b>General revenues and transfers</b>		
Taxes	14,001,119	12,582,560
Use of money and property	310,321	(293,473)
Other revenue	736,554	1,204,332
Transfer	168,465	154,110
<b>Total General Revenues and Transfers</b>	<b>15,216,459</b>	<b>13,647,529</b>
<b>Total Revenues and Transfers</b>	<b>28,371,185</b>	<b>26,340,297</b>
<b>Change in Net Position</b>	<b>\$ (2,165,318)</b>	<b>\$ 17,332,894</b>

## City of Brawley

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

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As Table 2 above shows, \$13,154,726 or 46%, of the City's fiscal year 2023 governmental revenue, came from program revenues and \$15,216,459, or 54%, came from general revenues such as taxes and interest and transfers. Program revenues were composed of charges for services of \$6,315,408, which included permit revenues, fees and charges used to fund expenses incurred in providing services; \$1,976,060 of operating grants and contributions, which included gas tax revenues and housing and police grants; and capital grants and contributions of \$4,863,258, that consisted mainly of project grants and developer impact fees restricted to capital outlay. During the fiscal year ended 2023, internal charges have been eliminated on the government-wide statements while previously they had not been. This causes a decrease in both revenues and expenditures but has no net effect on the operating results of the City and needs to be considered when comparing revenue or expenditure related operating results when viewed in isolation.

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

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

Table 3  
**GOVERNMENTAL ACTIVITIES**

	<b>Net Revenue (Expense) from Services 2023</b>	<b>Net Revenue (Expense) from Services 2022</b>
General government	\$ 661,276	\$ 1,207,481
Public safety	(15,917,521)	40,876
Culture and leisure	(2,188,926)	(1,297,921)
Community development	(2,003,606)	505,439
Transportation	2,440,764	3,707,938
Interest and fiscal charges	(373,764)	(478,448)
<b>Total</b>	<b>\$ (17,381,777)</b>	<b>\$ 3,685,365</b>

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023**

**BUSINESS-TYPE ACTIVITIES**

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

Table 4  
**BUSINESS-TYPE NET POSITION AT JUNE 30, 2023**

	<b>Business-type Activities 2023</b>	<b>Business-type Activities 2022</b>
<b>Assets</b>		
Cash and investments	\$ 35,170,518	\$ 31,230,823
Other assets	2,423,389	1,812,237
Capital assets, net	53,206,856	55,677,595
Net pension asset	-	269,064
<b>Total Assets</b>	<b>90,800,763</b>	<b>88,989,719</b>
<b>Deferred Outflows of Resources</b>		
OPEB related	1,714,702	792,817
Pension related	63,006	73,167
<b>Total Deferred Outflows of Resources</b>	<b>1,777,708</b>	<b>865,984</b>
<b>Liabilities</b>		
Other liabilities	2,236,333	2,081,787
Long term liabilities	7,193,274	7,584,450
Net pension liability	1,777,156	-
Total OPEB Liability	335,854	401,826
<b>Total Liabilities</b>	<b>11,542,617</b>	<b>10,068,063</b>
<b>Deferred Inflows of Resources</b>		
OPEB related	610,297	569,265
Pension related	223,798	162,388
<b>Total Deferred Inflows of Resources</b>	<b>834,095</b>	<b>731,653</b>
<b>Net Position</b>		
Net investment in capital assets	45,722,206	47,151,511
Unrestricted	34,479,553	31,904,476
<b>Total Net Position</b>	<b>\$ 80,201,759</b>	<b>\$ 79,055,987</b>

# City of Brawley

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

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### BUSINESS-TYPE ACTIVITIES (continued)

The net position of business-type activities increased by \$1,145,772 in fiscal year 2023 before prior period adjustments.

Table 5  
CHANGE IN BUSINESS-TYPE NET POSITION

	<b>Net Revenue (Expense) from Services 2023</b>	<b>Net Revenue (Expense) from Services 2022</b>
Water	\$ 65,834	\$ 2,646,562
Wastewater	1,458,107	2,808,240
Solid waste	68,385	76,754
Airport	(452,872)	(423,862)
<b>Total</b>	<b>\$ 1,139,454</b>	<b>\$ 5,107,694</b>

### ANALYSIS OF MAJOR FUNDS

#### Governmental Funds

##### *General Fund*

General Fund revenues increased by \$2,483,937 during the current fiscal, while expenditures increased in relation to the previous fiscal year. Total revenues exceeded budgeted amounts by \$120,891 due to tax revenue being higher than amounts originally anticipated based on prior year operating results. Other revenues related to operating and capital grants were lower than anticipated due directly to the timing and completion of capital improvement projects.

General Fund expenditures were \$18,095,688, an increase of \$1,694,326 compared to the prior fiscal year. Expenditures were \$2,463,216 less than budgeted due to personnel vacancies and capital improvement projects pending completion.

As of June 30, 2023, the General Fund's fund balance totaled \$8,643,324. The unassigned portion of \$5,774,177 of the fund balances represents available liquid resources.

##### *Economics and Community Development Special Revenue Fund*

This fund is utilized to track deferred loans receivable. Funds were not utilized in the fiscal year 2023.

# *City of Brawley*

## **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023**

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### **ANALYSIS OF MAJOR FUNDS (continued)**

#### *American Rescue Plan Act*

This fund accounts for federal funding received as part of the American Rescue Plan Act passed by Congress to provide funding for economic recovery for local governments resulting from economic hardship caused by the coronavirus pandemic. During fiscal year 2023, the City allocated funding primarily to projects with high priority such as the acquisition of equipment and vehicles for Public Safety and City infrastructure.

#### *Highway Relinquishment Fund*

This fund accounts for the revenues received by the City under SB325 for public transportation. Funds are being held for the resurfacing of Main Street scheduled to begin in fiscal year 2023/24.

#### *Measure D Fund*

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 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. Revenues are allocated to each participating jurisdiction based on a formula contained in the ballot measure. During fiscal year 2023, the City received \$1,943,384 in tax proceeds, 3% lower or \$59,496 less than the prior year. Measure D funds have been allocated to multi-year street improvement projects.

#### *Development Impact Fees Fund*

This fund accounts for fees paid by developers to offset the cost of providing public facilities for police, fire, parks, recreation, library, and other public facilities and street construction. During fiscal year 2023, Development Impact Fees decreased by \$379,203 compared to the prior year. Development Impact Fee expenditures were \$61,693, or 47% (\$19,602) higher compared to the prior year. The increase is largely due to multi-year Public Safety and Parks projects scheduled for completion during fiscal years 2022/23 and 2023/24.

#### *Streets Fund*

This fund accounts for resources set aside for major improvements to local streets and roads. Revenues and expenditures vary yearly depending on the Capital Improvement Plan adopted for the fiscal year. During fiscal year 2023, the City received \$246,615 in grant revenues. The Street fund expenditures were \$2,558,544 and were related to the Legion and Western Avenue Street Rehabilitation projects that will be completed in 2023/24.

# *City of Brawley*

## **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023**

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### **Proprietary Funds**

#### *Water Fund*

Operating revenues decreased by \$167,424 in fiscal year 2023 and expenses increased by \$2,416,227 resulting in a net operating gain of \$112,740. This change was largely due salary, and benefits cost increase and the cost of supplies and services. Water usage increased with industrial customers but remained consistent with residents.

The fund's net position increased by \$2,640 to a new total of \$28,176,368. Of this amount, \$19,115,655 was net investment in capital assets.

#### *Wastewater Fund*

Operating revenues increased \$208,021 in the fiscal year 2023. Operating expenses increased by \$1,565,349. The fund's net position increased by \$1,454,849 in fiscal year 2023. There weren't any significant changes in operations during the current fiscal year.

As of June 30, 2023, the fund's net position was \$46,245,271, of which \$21,860,346 was net investment in capital assets, and \$24,384,925 was unrestricted.

### **CAPITAL ASSETS**

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

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

In fiscal year 2023, the City reported the cost of all its infrastructure assets and computed the amounts of accumulated depreciation for these assets based on their original acquisition dates. At the end of fiscal year 2023, the cost of infrastructure and other capital assets recorded on the City's financial statements is as shown in Table 6 on the following page.

# City of Brawley

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

### CAPITAL ASSETS (continued)

Table 6

	Balance as of June 30, 2022	Additions	Deletions	Balance as of June 30, 2023
<b>Governmental Activities</b>				
Nondepreciable capital assets				
Land	\$ 966,706	\$ -	\$ -	\$ 966,706
Construction in progress	2,945,178	3,151,013	-	6,096,191
Total nondepreciable capital assets	<u>3,911,884</u>	<u>3,151,013</u>	<u>-</u>	<u>7,062,897</u>
Depreciable capital assets				
Equipment	11,090,221	1,854,929	(23,334)	12,921,816
Software	-	730,754	-	730,754
Buildings	14,565,604	29,981	-	14,595,585
Improvements other than buildings	18,272,190	-	-	18,272,190
Infrastructure	27,181,822	-	-	27,181,822
Total depreciable capital assets	<u>71,109,837</u>	<u>2,615,664</u>	<u>(23,334)</u>	<u>73,702,167</u>
Less accumulated depreciation				
Equipment	(9,202,043)	(425,996)	-	(9,628,039)
Software	-	(223,662)	-	(223,662)
Buildings	(6,545,872)	(459,885)	-	(7,005,757)
Improvements other than buildings	(10,399,352)	(671,390)	-	(11,070,742)
Infrastructure	(18,976,688)	(1,335,965)	-	(20,312,653)
Total accumulated depreciation	<u>(45,123,955)</u>	<u>(3,116,898)</u>	<u>-</u>	<u>(48,240,853)</u>
Net depreciable capital assets	<u>25,985,882</u>	<u>(501,234)</u>	<u>(23,334)</u>	<u>25,461,314</u>
Net capital assets	<u>\$ 29,897,766</u>	<u>\$ 2,649,779</u>	<u>\$ (23,334)</u>	<u>\$ 32,524,211</u>
	Balance as of June 30, 2022	Additions	Deletions	Balance as of June 30, 2023
<b>Business-type Activities</b>				
Nondepreciable capital assets				
Land	\$ 37,076	\$ -	\$ -	\$ 37,076
Construction in progress	701,064	386,408	-	1,087,472
Total nondepreciable capital assets	<u>738,140</u>	<u>386,408</u>	<u>-</u>	<u>1,124,548</u>
Depreciable capital assets				
Equipment	3,842,556	110,684	-	3,953,240
Buildings	56,762,536	-	-	56,762,536
Improvements other than buildings	14,743,384	-	-	14,743,384
Conveyance systems	36,938,578	-	-	36,938,578
Total depreciable capital assets	<u>112,287,054</u>	<u>110,684</u>	<u>-</u>	<u>112,397,738</u>
Less accumulated depreciation				
Equipment	(3,061,475)	(192,434)	-	(3,253,909)
Buildings	(25,999,082)	(1,353,470)	-	(27,352,552)
Improvements other than buildings	(7,498,410)	(600,059)	-	(8,098,469)
Conveyance systems	(20,788,632)	(821,868)	-	(21,610,500)
Total accumulated depreciation	<u>(57,347,599)</u>	<u>(2,967,831)</u>	<u>-</u>	<u>(60,315,430)</u>
Net depreciable capital assets	<u>54,939,455</u>	<u>(2,857,147)</u>	<u>-</u>	<u>52,082,308</u>
Net capital assets	<u>\$ 55,677,595</u>	<u>\$ (2,470,739)</u>	<u>\$ -</u>	<u>\$ 53,206,856</u>

# City of Brawley

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

### CAPITAL ASSETS (continued)

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

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

### DEBT ADMINISTRATION

The City issued no new bonded debt in fiscal year 2023. The City made all scheduled repayments of existing debt. The City's debt issues are discussed in detail in Notes of the financial statements. The City's debt balances as of June 30 were as follows:

Table 7  
**LONG-TERM LIABILITIES**

	Balance as of June 30, 2022	Additions	Reductions	Balance as of June 30, 2023	Due Within One Year
<b>Governmental Activities:</b>					
Pension obligation bonds	\$ 12,575,000	\$ -	\$ (750,000)	\$ 11,825,000	\$ 815,000
Financed purchases	182,007	60,083	(72,910)	169,180	58,566
Subscriptions	-	457,099	(125,387)	331,712	121,815
Compensated absences	523,065	613,809	(536,233)	600,641	180,192
Total Long-Term Liabilities	<u>\$ 13,280,072</u>	<u>\$ 1,130,991</u>	<u>\$ (1,484,530)</u>	<u>\$ 12,926,533</u>	<u>\$ 1,175,573</u>
<b>Business-type Activities:</b>					
<i>Water Fund</i>					
Debt from direct borrowings and direct placements:					
MFC note payable	\$ 694,500	\$ -	\$ (272,123)	\$ 422,377	\$ 279,658
Unamortized premium	1,486	-	(766)	720	-
Financed purchases	118,323	-	(27,909)	90,414	26,727
<i>Wastewater Fund</i>					
Debt from direct borrowings and direct placements:					
CSWRCB loan	7,690,296	-	(734,948)	6,955,348	742,297
Financed purchases	21,479	-	(5,688)	15,791	5,688
Compensated absences	141,476	113,257	(106,357)	148,376	44,513
Total Long-Term Liabilities	<u>\$ 8,667,560</u>	<u>\$ 113,257</u>	<u>\$ (1,147,791)</u>	<u>\$ 7,633,026</u>	<u>\$ 1,098,883</u>



**ECONOMIC CONDITION, OUTLOOK AND ACTIVITY**

The City is undergoing a gradual economic recovery, marked by increased economic activity and a growing interest in construction and new home building. Steady property assessments support a stable revenue base while rising sales tax revenue is projected to remain at current levels for the upcoming year, indicating a strong retail environment. Additionally, the extension and modernization of the Utility Users Tax, approved by voters in 2022, continue to provide a stable or enhanced revenue stream.

The City's financial projections reveal stagnant tax revenues coupled with increasing costs for essential services, resulting in anticipated deficits for the coming years. To address these financial constraints, the City is proposing a general sales tax ballot measure for November 2024. If approved by voters, this measure is expected to enhance and sustain vital services, including public safety, street improvements, and community programs.

The City is dedicated to maintaining a conservative and prudent fiscal approach, ensuring effective resource management and adaptability to future economic conditions.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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# City of Brawley

## Statement of Net Position June 30, 2023

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 43,402,007	\$ 35,170,518	\$ 78,572,525
Restricted cash and investments with fiscal agent	179,792	-	179,792
Accounts receivable	663,474	1,667,906	2,331,380
Interest receivable	91,247	58,238	149,485
Loans receivable	8,019,507	-	8,019,507
Due from other governments	1,777,577	82,627	1,860,204
Prepaid expenses	35,711	-	35,711
Total current assets	54,169,315	36,979,289	91,148,604
Noncurrent Assets:			
Advances to other funds	-	614,618	614,618
Capital assets not being depreciated	7,062,897	1,124,548	8,187,445
Capital assets, net of accumulated depreciation	25,461,314	52,082,308	77,543,622
Total noncurrent assets	32,524,211	53,821,474	86,345,685
Total assets	86,693,526	90,800,763	177,494,289
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related	12,574,483	1,714,702	14,289,185
OPEB related	674,176	63,006	737,182
Total deferred outflows of resources	13,248,659	1,777,708	15,026,367
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	1,364,479	624,041	1,988,520
Accrued liabilities	102,565	34,217	136,782
Accrued interest payable	13,886	37,681	51,567
Deposits payable	557,123	486,024	1,043,147
Advances from others	12,969,826	-	12,969,826
Total current liabilities	15,007,879	1,181,963	16,189,842
Noncurrent liabilities:			
Due within one year	1,175,573	1,054,370	2,229,943
Due in more than one year	11,750,960	6,578,656	18,329,616
Advances from other funds	-	614,618	614,618
Net pension liability	13,032,474	1,777,156	14,809,630
Total OPEB liability	3,593,630	335,854	3,929,484
Total noncurrent liabilities	29,552,637	10,360,654	39,913,291
Total liabilities	44,560,516	11,542,617	56,103,133
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related	4,475,513	610,297	5,085,810
OPEB related	2,394,647	223,798	2,618,445
Total deferred inflows of resources	6,870,160	834,095	7,704,255
<b>NET POSITION</b>			
Net investment in capital assets	31,253,193	45,722,206	76,975,399
Restricted for:			
Streets and roads	10,323,152	-	10,323,152
Public safety	193,476	-	193,476
Community development	17,022,990	-	17,022,990
CFD improvements and maintenance	1,333,151	-	1,333,151
Unrestricted (deficit)	(11,614,453)	34,479,553	22,865,100
Total net position	\$ 48,511,509	\$ 80,201,759	\$ 128,713,268

The accompanying notes are an integral part of these financial statements.

# City of Brawley

## Statement of Activities For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental Activities:</b>				
General government	\$ 5,770,127	\$ 4,293,389	\$ 524,772	\$ 1,613,242
Public safety	17,151,577	344,281	889,775	-
Culture and leisure	2,505,628	316,702	-	-
Community development	2,650,076	416,859	226,294	3,317
Transportation	2,085,331	944,177	335,219	3,246,699
Interest on long-term debt	373,764	-	-	-
<b>Total governmental activities</b>	<b>30,536,503</b>	<b>6,315,408</b>	<b>1,976,060</b>	<b>4,863,258</b>
<b>Business-type Activities:</b>				
Water	7,518,285	7,584,119	-	-
Wastewater	5,283,348	6,741,455	-	-
Solid waste	1,805,568	1,873,953	-	-
Airport	571,256	118,384	-	-
<b>Total business-type activities</b>	<b>15,178,457</b>	<b>16,317,911</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 45,714,960</b>	<b>\$ 22,633,319</b>	<b>\$ 1,976,060</b>	<b>\$ 4,863,258</b>

### General Revenues:

#### Taxes:

- Property taxes
- Sales and use
- Utility users taxes
- Transient lodging taxes
- Franchise taxes
- Business license taxes

#### Licenses and permits

#### Fines and forfeitures

#### Miscellaneous

#### Use of money and property

#### Transfers

#### Total general revenues and transfers

#### Change in net position

Net position - beginning of fiscal year, as restated

Net position - end of fiscal year

The accompanying notes are an integral part of these financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ 661,276	\$ -	\$ 661,276
(15,917,521)	-	(15,917,521)
(2,188,926)	-	(2,188,926)
(2,003,606)	-	(2,003,606)
2,440,764	-	2,440,764
(373,764)	-	(373,764)
<u>(17,381,777)</u>	<u>-</u>	<u>(17,381,777)</u>
-	65,834	65,834
-	1,458,107	1,458,107
-	68,385	68,385
-	(452,872)	(452,872)
<u>-</u>	<u>1,139,454</u>	<u>1,139,454</u>
<u>(17,381,777)</u>	<u>1,139,454</u>	<u>(16,242,323)</u>
5,364,635	-	5,364,635
4,770,324	-	4,770,324
2,657,345	-	2,657,345
484,779	-	484,779
657,498	-	657,498
66,538	-	66,538
55,354	-	55,354
14,012	-	14,012
667,188	42,175	709,363
310,321	132,608	442,929
168,465	(168,465)	-
<u>15,216,459</u>	<u>6,318</u>	<u>15,222,777</u>
(2,165,318)	1,145,772	(1,019,546)
<u>50,676,827</u>	<u>79,055,987</u>	<u>129,732,814</u>
<u>\$ 48,511,509</u>	<u>\$ 80,201,759</u>	<u>\$ 128,713,268</u>

# City of Brawley

## Balance Sheet June 30, 2023

	General	Special Revenue Funds		
		Economic & Community Development	American Rescue Plan Act (ARPA)	Highway Relinquishment
<b>ASSETS</b>				
Cash and investments	\$ 7,169,565	\$ 865,194	\$ 4,134,301	\$ 8,166,774
Restricted cash and investments with fiscal agent	-	601	-	-
Interest receivable	5,334	1,874	6,771	14,313
Accounts receivable	357,030	-	-	-
Due from other governments	1,603,348	171,879	-	-
Due from other funds	954,209	-	-	-
Loans receivable	-	7,386,118	-	-
Prepaid expenditures	35,711	-	-	-
<b>Total assets</b>	<b>\$ 10,125,197</b>	<b>\$ 8,425,666</b>	<b>\$ 4,141,072</b>	<b>\$ 8,181,087</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 274,306	\$ 103	\$ 13,719	\$ 2,270
Accrued liabilities	97,580	-	-	-
Deposits payable	534,851	-	-	22,272
Advances from others	-	663,000	4,064,603	7,858,315
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>906,737</b>	<b>663,103</b>	<b>4,078,322</b>	<b>7,882,857</b>
Deferred inflows of resources:				
Unavailable revenue	575,136	169,084	-	-
<b>Total deferred inflows of resources</b>	<b>575,136</b>	<b>169,084</b>	<b>-</b>	<b>-</b>
Fund balances (deficit):				
Nonspendable	35,711	-	-	-
Restricted for:				
Streets and roads	-	-	-	298,230
Public safety	-	-	-	-
Community development	-	7,593,479	62,750	-
CFD improvements and maintenance	-	-	-	-
Committed	2,833,436	-	-	-
Unassigned	5,774,177	-	-	-
<b>Total fund balances</b>	<b>8,643,324</b>	<b>7,593,479</b>	<b>62,750</b>	<b>298,230</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 10,125,197</b>	<b>\$ 8,425,666</b>	<b>\$ 4,141,072</b>	<b>\$ 8,181,087</b>

The accompanying notes are an integral part of these financial statements.

Special Revenue Fund	Capital Projects Fund		Nonmajor Governmental Funds	Total Governmental Funds
	Development Impact	Streets		
Measure D				
\$ 7,779,965	\$ 9,290,064	\$ 673,568	\$ 3,921,962	\$ 42,001,393
-	-	-	179,191	179,792
14,335	40,045	-	6,274	88,946
-	-	-	306,444	663,474
-	-	-	-	1,775,227
-	-	-	-	954,209
-	630,107	-	-	8,016,225
-	-	-	-	35,711
<u>\$ 7,794,300</u>	<u>\$ 9,960,216</u>	<u>\$ 673,568</u>	<u>\$ 4,413,871</u>	<u>\$ 53,714,977</u>
\$ 29,022	\$ 7,064	\$ 944,777	\$ 91,854	\$ 1,363,115
-	-	-	4,981	102,561
-	-	-	-	557,123
-	-	-	383,908	12,969,826
-	-	-	536,436	536,436
<u>29,022</u>	<u>7,064</u>	<u>944,777</u>	<u>1,017,179</u>	<u>15,529,061</u>
-	655,189	-	176,529	1,575,938
-	655,189	-	176,529	1,575,938
-	-	-	-	35,711
7,765,278	-	-	2,530,853	10,594,361
-	-	-	193,476	193,476
-	9,297,963	-	68,798	17,022,990
-	-	-	1,333,151	1,333,151
-	-	-	-	2,833,436
-	-	(271,209)	(906,115)	4,596,853
<u>7,765,278</u>	<u>9,297,963</u>	<u>(271,209)</u>	<u>3,220,163</u>	<u>36,609,978</u>
<u>\$ 7,794,300</u>	<u>\$ 9,960,216</u>	<u>\$ 673,568</u>	<u>\$ 4,413,871</u>	<u>\$ 53,714,977</u>

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# City of Brawley

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position Governmental Funds June 30, 2023

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Fund balances of governmental funds	\$ 36,609,978
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of accumulated depreciation have not been included as financial resources in the governmental funds. Capital assets of the internal service fund are included below (\$1,101,838)	31,422,373
In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.	
Pension related deferred outflows	12,574,483
OPEB related deferred outflows	674,176
Pension related deferred inflows	(4,475,513)
OPEB related deferred inflows	(2,394,647)
Long-term liabilities and assets have not been included in the governmental funds.	
Long-term debt	(12,325,892)
Total OPEB liability	(3,593,630)
Net pension liability	(13,032,474)
Compensated absences	(600,641)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of net position, it is recognized in the period that it is incurred.	(13,886)
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.	2,091,244
In governmental funds, certain receivables are not available to pay for current period expenditures and, therefore, are offset by unavailable revenue or not recognized as receivables in the fund statements	<u>1,575,938</u>
Net position of governmental activities	<u>\$ 48,511,509</u>

The accompanying notes are an integral part of these financial statements.

# City of Brawley

## Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2023

	Special Revenue Funds			
	General	Economic & Community Development	American Rescue Plan Act (ARPA)	Highway Relinquishment
<b>REVENUES</b>				
Taxes:				
Property	\$ 5,104,446	\$ -	\$ -	\$ -
Sales and use	4,770,324	-	-	-
Utility users	2,657,345	-	-	-
Transient lodging	484,779	-	-	-
Franchise	657,498	-	-	-
Business license	66,538	-	-	-
Licenses and permits	56,071	-	-	-
Fines and forfeitures	14,803	-	-	-
Charges for services	5,102,359	-	-	-
Use of money and property	85,415	107,643	13,548	22,417
Intergovernmental	769,990	3,317	1,613,242	-
Miscellaneous	306,520	-	-	304,070
Total revenues	<u>20,076,088</u>	<u>110,960</u>	<u>1,626,790</u>	<u>326,487</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,803,803	-	29,981	-
Public safety	9,719,622	-	-	-
Culture and leisure	2,116,210	-	-	-
Community development	1,439,602	156,541	-	-
Public works	-	-	-	116,730
Capital outlay	457,099	-	1,566,871	-
Debt Service:				
Principal	922,163	-	16,022	-
Interest	513,374	-	369	-
Total expenditures	<u>17,971,873</u>	<u>156,541</u>	<u>1,613,243</u>	<u>116,730</u>
Excess of revenues over (under) expenditures	<u>2,104,215</u>	<u>(45,581)</u>	<u>13,547</u>	<u>209,757</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financed purchase	60,083	-	-	-
Subscription acquisitions	457,099	-	-	-
Transfers in	423,718	-	-	-
Transfers out	-	-	-	(547,352)
Total other financing sources (uses)	<u>940,900</u>	<u>-</u>	<u>-</u>	<u>(547,352)</u>
Net change in fund balances	3,045,115	(45,581)	13,547	(337,595)
Fund balance - beginning of fiscal year	<u>5,598,209</u>	<u>7,639,060</u>	<u>49,203</u>	<u>635,825</u>
Fund balance - end of fiscal year	<u>\$ 8,643,324</u>	<u>\$ 7,593,479</u>	<u>\$ 62,750</u>	<u>\$ 298,230</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Fund	Capital Projects Fund		Nonmajor Governmental Funds	Total Governmental Funds
Measure D	Development Impact	Streets		
\$ -	\$ -	\$ -	\$ 259,802	\$ 5,364,248
-	-	-	-	4,770,324
-	-	-	-	2,657,345
-	-	-	-	484,779
-	-	-	-	657,498
-	-	-	-	66,538
-	-	-	-	56,071
-	-	-	-	14,803
-	1,238,962	-	5,235	6,346,556
23,777	66,656	-	(4,718)	314,738
1,943,384	-	246,615	2,202,775	6,779,323
-	-	-	67,293	677,883
<u>1,967,161</u>	<u>1,305,618</u>	<u>246,615</u>	<u>2,530,387</u>	<u>28,190,106</u>
-	-	-	-	2,833,784
-	-	-	259,886	9,979,508
-	2,440	-	-	2,118,650
-	32,899	-	43,354	1,672,396
342,074	-	29,340	1,407,089	1,895,233
-	26,354	2,529,204	744,000	5,323,528
-	-	-	10,112	948,297
-	-	-	1,731	515,474
<u>342,074</u>	<u>61,693</u>	<u>2,558,544</u>	<u>2,466,172</u>	<u>25,286,870</u>
<u>1,625,087</u>	<u>1,243,925</u>	<u>(2,311,929)</u>	<u>64,215</u>	<u>2,903,236</u>
-	-	-	-	60,083
-	-	-	-	457,099
-	-	1,496,296	-	1,920,014
(948,944)	-	-	(249,535)	(1,745,831)
<u>(948,944)</u>	<u>-</u>	<u>1,496,296</u>	<u>(249,535)</u>	<u>691,365</u>
676,143	1,243,925	(815,633)	(185,320)	3,594,601
<u>7,089,135</u>	<u>8,054,038</u>	<u>544,424</u>	<u>3,405,483</u>	<u>33,015,377</u>
<u>\$ 7,765,278</u>	<u>\$ 9,297,963</u>	<u>\$ (271,209)</u>	<u>\$ 3,220,163</u>	<u>\$ 36,609,978</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, 2023

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Net change in fund balances - total governmental funds	\$ 3,594,601
Amounts reported for governmental activities in the statement of activities differ because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeds depreciation in the current period.	2,352,790
Certain revenues are reported in the government-wide statements but not in the governmental funds because they are not available to pay for current expenditures. This is the net change in associated receivables for the current period.	9,246
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds.	
Debt issuance (leases and subscriptions)	(517,182)
Principal repayment	948,297
Accrued interest for debt service. This is the net change in accrued interest for the current period	141,710
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental funds. This is the net change in compensated absences for the current period.	(77,576)
In governmental funds, pension and OPEB costs are recognized when employer contributions are made. In the statement of activities, pension and OPEB costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension and OPEB costs and actual employer contributions including supplemental contributions are as follows:	
Pension related costs and contributions	(8,522,207)
OPEB related costs and contributions	(59,908)
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) (less depreciation expense of \$138,844) of the internal service funds is reported under governmental activities.	<u>(35,089)</u>
Change in net position of governmental activities	<u>\$ (2,165,318)</u>

The accompanying notes are an integral part of these financial statements.

# City of Brawley

## Statement of Net Position Proprietary Funds June 30, 2023

	Business-type Activities Enterprise Funds			
	Water	Wastewater	Nonmajor	
			Solid Waste	Airport
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 10,470,376	\$ 23,726,024	\$ 372,487	\$ 601,631
Accounts receivable, net	803,879	665,624	176,225	22,178
Interest receivable	17,170	39,278	951	839
Due from other governments	2,018	80,289	-	320
Loans receivable	-	-	-	-
Total current assets	<u>11,293,443</u>	<u>24,511,215</u>	<u>549,663</u>	<u>624,968</u>
Noncurrent Assets:				
Advances to other funds	-	614,618	-	-
Capital assets not being depreciated	946,101	144,322	-	34,125
Capital assets, net of accumulated depreciation	18,683,065	28,687,163	-	4,712,080
Net pension asset	-	-	-	-
Total noncurrent assets	<u>19,629,166</u>	<u>29,446,103</u>	<u>-</u>	<u>4,746,205</u>
Total assets	<u>30,922,609</u>	<u>53,957,318</u>	<u>549,663</u>	<u>5,371,173</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related	1,000,243	714,459	-	-
OPEB related	37,803	25,203	-	-
Total deferred outflows of resources	<u>1,038,046</u>	<u>739,662</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	332,312	155,842	126,396	9,491
Accrued liabilities	18,392	15,348	374	103
Interest payable	2,904	34,777	-	-
Deposits payable	480,672	1,000	-	4,352
Due to other funds	-	-	-	-
Current portion of long-term liabilities	306,385	747,985	-	-
Total current liabilities	<u>1,140,665</u>	<u>954,952</u>	<u>126,770</u>	<u>13,946</u>
Noncurrent Liabilities:				
Compensated absences	93,406	54,970	-	-
Long-term liabilities	207,126	6,223,154	-	-
Advances from other funds	614,618	-	-	-
Net pension liability	1,036,674	740,482	-	-
Total OPEB liability	201,513	134,341	-	-
Total noncurrent liabilities	<u>2,153,337</u>	<u>7,152,947</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,294,002</u>	<u>8,107,899</u>	<u>126,770</u>	<u>13,946</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related	356,006	254,291	-	-
OPEB related	134,279	89,519	-	-
Total deferred inflows of resources	<u>490,285</u>	<u>343,810</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	19,115,655	21,860,346	-	4,746,205
Unrestricted	9,060,713	24,384,925	422,893	611,022
Total net position	<u>\$ 28,176,368</u>	<u>\$ 46,245,271</u>	<u>\$ 422,893</u>	<u>\$ 5,357,227</u>

The accompanying notes are an integral part of these financial statements.

Totals	Governmental Activities Internal Service Funds
\$ 35,170,518	\$ 1,400,614
1,667,906	-
58,238	2,301
82,627	2,350
-	3,282
<u>36,979,289</u>	<u>1,408,547</u>
614,618	-
1,124,548	11,138
52,082,308	1,090,700
-	-
<u>53,821,474</u>	<u>1,101,838</u>
<u>90,800,763</u>	<u>2,510,385</u>
1,714,702	-
63,006	-
<u>1,777,708</u>	<u>-</u>
624,041	1,364
34,217	4
37,681	-
486,024	-
-	417,773
1,054,370	-
<u>2,236,333</u>	<u>419,141</u>
148,376	-
6,430,280	-
614,618	-
1,777,156	-
335,854	-
<u>9,306,284</u>	<u>-</u>
<u>11,542,617</u>	<u>419,141</u>
610,297	-
223,798	-
<u>834,095</u>	<u>-</u>
45,722,206	1,101,838
34,479,553	989,406
<u>\$ 80,201,759</u>	<u>\$ 2,091,244</u>

*City of Brawley*

**Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2023**

	Business-type Activities Enterprise Funds			
	Water	Wastewater	Nonmajor	
			Solid Waste	Airport
<b>OPERATING REVENUES</b>				
Charges for services	\$ 7,584,119	\$ 6,741,455	\$ 1,873,953	\$ 118,384
<b>OPERATING EXPENSES</b>				
Salary and benefits	2,116,249	1,341,437	9,201	8,093
Administration	561,780	435,380	42,133	14,044
Supplies and services	3,292,127	2,456,319	1,754,234	82,206
Depreciation and amortization	1,524,908	976,010	-	466,913
Total operating expenses	7,495,064	5,209,146	1,805,568	571,256
Total income (loss)	89,055	1,532,309	68,385	(452,872)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Use of money and property	46,906	54,422	30,126	1,154
Intergovernmental revenue	-	-	-	42,175
Interest expense and fiscal charges	(23,221)	(74,202)	-	-
Total non-operating revenues (expenses)	23,685	(19,780)	30,126	43,329
Income (loss) before transfers	112,740	1,512,529	98,511	(409,543)
<b>TRANSFERS</b>				
Transfers out	(110,100)	(57,680)	-	(685)
Total Transfers	(110,100)	(57,680)	-	(685)
Changes in net position	2,640	1,454,849	98,511	(410,228)
Total Net Position - beginning	28,173,728	44,790,422	324,382	5,767,455
Total Net Position - ending	\$ 28,176,368	\$ 46,245,271	\$ 422,893	\$ 5,357,227

The accompanying notes are an integral part of these financial statements.



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<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
<u>\$ 16,317,911</u>	<u>\$ 97,230</u>
3,474,980	75,705
1,053,337	-
7,584,886	54,264
<u>2,967,831</u>	<u>138,844</u>
<u>15,081,034</u>	<u>268,813</u>
<u>1,236,877</u>	<u>(171,583)</u>
132,608	3,368
42,175	-
<u>(97,423)</u>	<u>-</u>
<u>77,360</u>	<u>3,368</u>
<u>1,314,237</u>	<u>(168,215)</u>
<u>(168,465)</u>	<u>(5,718)</u>
<u>(168,465)</u>	<u>(5,718)</u>
1,145,772	(173,933)
<u>79,055,987</u>	<u>2,265,177</u>
<u>\$ 80,201,759</u>	<u>\$ 2,091,244</u>

# City of Brawley

## Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2023

	Business-type Activities Enterprise Funds			
	Water	Wastewater	Solid Waste	Nonmajor Airport
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers and users	\$ 6,976,337	\$ 6,239,868	\$ 1,839,213	\$ 99,755
Cash payments to suppliers for goods and services	(3,170,937)	(2,373,829)	(1,627,838)	(79,300)
Cash payments for employees and benefit programs	(1,476,080)	(862,046)	(8,827)	(7,996)
Net cash provided (used) by operating activities	<u>2,329,320</u>	<u>3,003,993</u>	<u>202,548</u>	<u>12,459</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers	(110,100)	(57,680)	-	(685)
Interfund borrowing (repayment)	-	-	-	-
Cash received (payments) from (to) other governments	-	-	-	110,637
Loan repayment	-	-	-	-
Net cash provided (used) by non-capital financing activities	<u>(110,100)</u>	<u>(57,680)</u>	<u>-</u>	<u>109,952</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(431,638)	(33,279)	-	(32,175)
Loan repayment	(100,401)	100,401	-	-
Principal paid on debt	(300,032)	(740,636)	-	-
Interest on debt and fiscal charges	(24,266)	(77,876)	-	-
Net cash used by capital and related financing activities	<u>(856,337)</u>	<u>(751,390)</u>	<u>-</u>	<u>(32,175)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Use of money and property	<u>34,000</u>	<u>25,306</u>	<u>29,242</u>	<u>557</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>1,396,883</u>	<u>2,220,229</u>	<u>231,790</u>	<u>90,793</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR</b>	<u>9,073,493</u>	<u>21,505,795</u>	<u>140,697</u>	<u>510,838</u>
<b>CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR</b>	<u>\$ 10,470,376</u>	<u>\$ 23,726,024</u>	<u>\$ 372,487</u>	<u>\$ 601,631</u>

The accompanying notes are an integral part of these financial statements.

(continued)

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Totals	Governmental Activities Internal Service Fund
\$ 15,155,173	\$ 94,880
(7,251,904)	(55,548)
<u>(2,354,949)</u>	<u>(78,733)</u>
5,548,320	(39,401)
(168,465)	(5,718)
-	(57,485)
110,637	-
<u>-</u>	<u>1,303</u>
<u>(57,828)</u>	<u>(61,900)</u>
(497,092)	-
-	-
(1,040,668)	-
<u>(102,142)</u>	<u>-</u>
<u>(1,639,902)</u>	<u>-</u>
89,105	1,775
3,939,695	(99,526)
<u>31,230,823</u>	<u>1,500,140</u>
<u>\$ 35,170,518</u>	<u>\$ 1,400,614</u>

# City of Brawley

## Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2023

	Business-type Activities Enterprise Funds			
	Water	Wastewater	Solid Waste	Nonmajor Airport
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 89,055	\$ 1,532,309	\$ 68,385	\$ (452,872)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	1,524,908	976,010	-	466,913
(Increase) decrease in accounts receivable	43,535	(4,879)	7,393	(4,635)
(Increase) decrease in due from other governments	(1,579)	(61,328)	-	-
Increase (decrease) in prepaids	-	-	-	-
Increase (decrease) in net pension asset	156,267	112,797	-	-
Increase (decrease) in deferred outflows	(533,695)	(378,029)	-	-
Increase (decrease) in accounts payable and accrued liabilities	81,963	63,411	126,770	3,003
Increase (decrease) in compensated absences	(2,502)	9,402	-	-
Increase (decrease) in net pension liability	1,036,674	740,482	-	-
Increase (decrease) in OPEB liability	(39,583)	(26,389)	-	-
Increase (decrease) in deferred inflows	62,235	40,207	-	-
Increase (decrease) in deposits payable	(87,958)	-	-	50
Total adjustments	2,240,265	1,471,684	134,163	465,331
Net cash provided by (used by) operating activities	\$ 2,329,320	\$ 3,003,993	\$ 202,548	\$ 12,459

The accompanying notes are an integral part of these financial statements.

(concluded)

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<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
<u>\$ 1,236,877</u>	<u>\$ (171,583)</u>
2,967,831	138,844
41,414	-
(62,907)	-
-	(2,350)
269,064	-
(911,724)	-
275,147	(4,312)
6,900	-
1,777,156	-
(65,972)	-
102,442	-
(87,908)	-
<u>4,311,443</u>	<u>132,182</u>
<u>\$ 5,548,320</u>	<u>\$ (39,401)</u>

*City of Brawley*

**Statement of Fund Net Position  
Fiduciary Fund  
June 30, 2023**

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	Private Purpose Trust Fund
	<u>RDA</u>
	Successor Agency
	<u>                    </u>
<b>ASSETS</b>	
Cash and investments	\$ 258,632
Interest receivable	122
Land held for resale	<u>1,081,003</u>
Total assets	<u>1,339,757</u>
<b>LIABILITIES</b>	
Interest payable	25,244
Long-term liabilities:	
Due within one year	202,697
Due in more than one year	<u>3,255,061</u>
Total LIabilities	<u>3,483,002</u>
<b>NET POSITION (DEFICIT)</b>	
Unrestricted	<u>(2,143,245)</u>
Total net position (deficit)	<u><u>\$ (2,143,245)</u></u>

The accompanying notes are an integral part of these financial statements.

*City of Brawley*

**Statement of Changes in Fund Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2023**

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	Private Purpose Trust Fund
	RDA Successor Agency
<b>ADDITIONS</b>	
Tax increment	\$ 330,144
Use of money and property	554
Total additions	<u>330,698</u>
<b>DEDUCTIONS</b>	
Community development	2,470
Interest	105,278
Administrative expenses	<u>25,000</u>
Total deductions	<u>132,748</u>
Change in net position	197,950
Net position (deficit) - beginning of fiscal year	<u>(2,341,195)</u>
Net position (deficit) - end of fiscal year	<u>\$ (2,143,245)</u>

The accompanying notes are an integral part of these financial statements.

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**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A) Financial Reporting Entity**

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

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

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

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

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

**Brawley Public Improvement Corporation** – The Brawley Public Improvement Corporation was formed in October 1986 to facilitate the financing of the water and wastewater treatment facilities through the issuance of certificates of participation. The debt has since been defeased and, as such, any liability for those certificates of participation has been removed from the City of Brawley’s financial statements. The Brawley Public Improvement Corporation is reported within the primary government, however there are no balances and there has been no activity during fiscal year ended June 30, 2023.

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***B) Basis of Presentation***

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

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

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

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

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***B) Basis of Presentation (continued)***

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

***C) Major Funds***

GASB Statement No. 34, defines major funds and requires that the City's major governmental funds are identified and presented separately in the fund financial statements. All other governmental funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

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

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

**General Fund**

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

**Economic and Community Development Fund**

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

**American Rescue Plan Act (ARPA) Fund**

This fund accounts for revenues and expenditures resulting from the State and Local Fiscal Recovery Fund.

**Highway Relinquishment Fund**

This fund accounts for revenue received from the State under Article 8(a) of the Transportation Development Act (Section 99400(a) of the Public Utilities Code). Uses are restricted to local streets and roads. This fund also accounts for \$7,858,315 received (unearned revenue until spent) from the State of California for ongoing maintenance and repairs related to relinquished portions of streets and street lights.

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C) Major Funds (continued)**

**Measure D Fund**

This fund accounts 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.

**Development Impact Fund**

This fund accounts 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.

**Streets Fund**

This fund accounts for resources set aside for major improvements 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.

The City reported the following internal service funds:

**Internal Service Funds**

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

The City also reports the following fund:

**Private Purpose Trust Fund**

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

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***D) Basis of Accounting***

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

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under 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 yearend on behalf of the City also are recognized as revenue. Fines, licenses, permits and other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

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

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

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***E) Cash and Cash Equivalents***

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

***F) Cash and Investments***

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

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

***G) Revenue Recognition***

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

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

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

# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

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### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### H) Interfund Transactions

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

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

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

#### I) Property Tax

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

The first installment is due November 1st and is delinquent after December 10th; the second installment is due February 1<sup>st</sup> and is delinquent after April 10th. Taxes become a lien on the property on January 1st, and on the date of the transfer of the title, and the date of new construction. The City has elected under State law (TEETER) to receive all of the annual property assessments in three installments as follows:

December	55%
April	40%
June	5%
	<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.

#### 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.

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***L) Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 for property, plant, and equipment and \$25,000 for infrastructure and have a useful life of more than 3 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition 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 are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds if they have matured, for example, as a result of employee resignation and retirements.

***N) Self-insurance***

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

***O) Long-term Debt, Discount, Premiums, and Issuance Costs***

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

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



**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***O) Long-term Debt, Discount, Premiums, and Issuance Costs (continued)***

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.

***P) Net Position and Fund Equity***

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

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

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

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

***Q) Use of Estimates***

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

***R) Fiscal Year***

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

***S) Use of Restricted Resources***

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

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***T) Fund Balance***

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

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

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

***U) Pensions***

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

# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

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### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### U) Pensions (continued)

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

#### V) Other Post-Employment Benefits (OPEB)

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

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

#### W) Deferred Outflows and Inflows of Resources

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

#### X) Implementation of new pronouncement

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. Under this statement, a lessee is required to recognize a SBITA liability and an intangible right-to-use lease asset. For additional information, refer to the disclosures for capital assets and long-term liabilities.

# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

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### 2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A) Budgets and Budgetary Accounting

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

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

#### B) Deficit Fund Balances/Net Position

At June 30, 2023, the following funds had an accumulated deficit:

Fund	Amount
Streets - Capital Projects Fund	\$ (271,209)
Gas Tax	(906,115)
Internal Service Fund:	
Risk Management Fund	(413,586)

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

#### C) Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2023, the following funds had excess of expenditures over appropriations:

Fund	Final Appropriation	Expenditures	Excess
General Fund			
Capital outlay	\$ 21,000	\$ 457,099	\$ (436,099)
Debt service:			
Principal	871,868	922,163	(50,295)
Economic and Community Development Fund			
Community development	114,100	156,541	(42,441)

# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

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### 2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

#### C) *Excess of Expenditures over Appropriations (continued)*

Excess of current expenditures over appropriation in the General Fund is due to the implementation of GASB 96 for SBITAs (see note 1(X) for more details). These software subscriptions were originally budgeted in the year the agreement commenced.

### 3) CASH AND INVESTMENTS

Cash and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 78,572,525
Restricted cash and investments with fiscal agent	179,792
Fiduciary Fund:	
Cash and investments	<u>258,632</u>
Total cash and investments	<u><u>\$ 79,010,949</u></u>

Cash and investments as of June 30, 2023 consist of the following:

Cash on hand	\$ 5,575
Deposits with financial institutions	34,317,761
Investments	<u>44,687,613</u>
Total cash and investments	<u><u>\$ 79,010,949</u></u>

#### A) *Investments Authorized by the California Government Code and the City's Investment Policy*

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

# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

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### 3) CASH AND INVESTMENTS (continued)

#### A) Investments Authorized by the California Government Code and the City's Investment Policy

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Government Bonds	5 years	80%	Less than 80%
U.S. Treasury Obligations	5 years	80%	Less than 80%
U.S. Government Agency Securities	5 years	80%	Less than 80%
Banker's Acceptances	180 days	40%	30%
Commercial Paper, Prime Quality	270 days	25%	10%
Certificates of Deposit	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	\$75 Million

#### B) Investments Authorized by Debt Agreements

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

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

# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

### 3) CASH AND INVESTMENTS (continued)

#### 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:

Investment Type	Totals	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	\$ 15,619,679	\$ 15,619,679	\$ -	\$ -
Certificates of Deposit	15,534,565	5,828,941	3,030,062	6,675,562
U.S. Government Agency Securities	4,973,061	4,973,061	-	-
Medium-Term Notes	8,560,308	628,236	954,915	6,977,157
<b>Total</b>	<b>\$ 44,687,613</b>	<b>\$ 27,049,917</b>	<b>\$ 3,984,977</b>	<b>\$ 13,652,719</b>

#### D) Disclosures Relating to Credit Risk

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

Investment Type	Totals	Minimum Legal Rating	Rating as of Fiscal Year End			
			AA	A	BBB	Not Rated
Local Agency Investment Fund (LAIF)	\$ 15,619,679	N/A	\$ -	\$ -	\$ -	\$ 15,619,679
Certificates of Deposit	15,534,565	N/A	-	-	-	15,534,565
U.S. Government Agency Securities	4,973,061	N/A	-	-	-	4,973,061
Medium-Term Notes	8,560,308	N/A	6,416,699	1,702,999	440,610	-
<b>Total</b>	<b>\$ 44,687,613</b>		<b>\$ 6,416,699</b>	<b>\$ 1,702,999</b>	<b>\$ 440,610</b>	<b>\$ 36,127,305</b>

**3) CASH AND INVESTMENTS (continued)**

***E) 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, 2023, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

*Investment in State Investment Pool*

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California and operates in accordance with appropriate state laws and regulations. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The reported value of the pool is the same as the fair value of the pool shares. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Deposits and withdrawals are made on the basis of \$1 and not fair value. Currently, LAIF does not have an investment rating. LAIF has a minimum \$5,000 transaction amount in increments of \$1,000 with a maximum of 15 transactions (combination of deposits and withdrawals) per month. LAIF requires a one-day prior notice for deposits and withdrawals of \$10 million or more.



# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

### 3) CASH AND INVESTMENTS (continued)

#### E) Concentration of Credit Risk (continued)

##### Fair Value Measurements

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

Pooled Investments by Fair Value Hierarchy	Total	FMV Measurement Level 2
Investments subject to fair value hierarchy:		
Certificates of Deposit	\$ 15,534,565	\$ 15,534,565
U.S. Government Agency Securities	4,973,061	4,973,061
Medium-Term Notes	8,560,308	8,560,308
Total investments measured at fair value hierarchy	<u>29,067,934</u>	<u>\$ 29,067,934</u>
Investments measured using uncategorized inputs:		
State Investment Pool (LAIF)	15,619,679	
Total investments not subject at fair value hierarchy	<u>15,619,679</u>	
Total investments	<u>\$ 44,687,613</u>	

Both types of Certificates of Deposit and Federal Agency Securities are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curves and indices, and other market-related data and classified in Level 2.

### 4) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

#### A) Long-Term Advances

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

Receivable Fund	Payable Fund	Amount
Enterprise Fund:	Enterprise Fund:	
Wastewater Fund	Water Fund	\$ 614,618

# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

### 4) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)

#### 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, 2023.

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Governmental Fund:		Nonmajor Governmental Funds:	
General Fund	<u>\$954,209</u>	Gas Tax	\$536,436
		Internal Service Fund:	
		Risk Management	<u>417,773</u>
		Total	<u>\$954,209</u>

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

#### C) Interfund Transfers

Transfers are utilized for funding for capital projects, lease payments or debt service, subsidies of various City operations, and re-allocations of special revenues. All inter-fund transfers between individual government funds have been eliminated on the government-wide statements. The following schedule briefly summarizes the City’s transfer activity for the fiscal year ended June 30, 2023:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Major Fund:		
General	\$ 423,718	
Highway Relinquishment		547,352
Measure D		948,944
Streets	1,496,296	
Nonmajor Governmental Funds:		
Gas Tax		22,852
Pedestrian & Bicycle Facilities		
Assessment District		226,632
Public Transport		
Local Law Enforcement		51
Major Proprietary Funds:		
Water		110,100
Wastewater		57,680
Nonmajor Proprietary Funds:		
Airport		685
Internal Service Fund:		
Maintenance		<u>5,718</u>
Totals	<u>\$ 1,920,014</u>	<u>\$ 1,920,014</u>

# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

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### 5) LOANS RECEIVABLE

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

#### Management Risk Fund - Internal Service Fund

Employee loans, repayment through payroll deductions \$ 3,282

#### Economic & Community Development Fund - Special Revenue Fund

Loans to Inferno 800. Secured by deed of trust 8,609

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. 4,063,000

Deferred notes receivable. No installment payments of principal or interest are required until the loans reach their maturity or underlying property is sold. Secured by deeds of trust. Details of loans by program are listed below:

<u>Program Name</u>	<u>Balance</u>	
04-STBG-1952	\$ 660,142	
03-STBG-1804	134,557	
STBG 2002-1688	174,631	
01-STBG-1569	115,823	
STBG-2000-1453	50,569	
1997 Grant	113,948	
STBG 1996	89,590	
STBG 1994	38,889	
1993 CDBG	34,430	
1991 Grant	49,692	
1990 Grant	19,998	
STBG 304	28,671	
Community Development Grants	240,383	
First Time Home Buyer	727,227	
05-CalHOME-134	167,483	
06-CalHOME-261	89,767	
11-HOME-7664	48,649	
15-HOME-10897	366,379	
18-CDBG-12905	163,681	
	<u>3,314,509</u>	

#### Development Impact Fund - Special Revenue Fund

Development impact fee (DIF) loan deferral for Brawley Pacific Associate. Secured by a Promissory Note and Deed of Trust. 238,879

Development impact fee (DIF) loan deferral for Brawley Adams I CIC, L.P. Secured by a Promissory Note and Deed of Trust. 391,228

Total Loans Receivable \$ 8,019,507

**5) LOANS RECEIVABLE (continued)**

On August 1, 2004, to assist with the construction of 31 apartment assisted living units occupied by low and very low-income households, the City received a loan from the Housing Investment Partnerships (HOME) Program for \$3,400,000, which was provided to Chelsea Investment Corporation (Developer) with a no interest fifty-five (55) year repayment term maturing in 2059. The development is known as Brawley Elks Senior Apartments and is located at 955 Willard Avenue. The principal will be repaid from annual residual receipts as defined in the Note and shall apply to the Development through and including fifty-five (55) years from the date of the recordation regardless of any prepayment of the loan or sale, assignment, transfer or conveyance of the Development, unless otherwise terminated by the City or extended upon mutual agreement. The loan is secured by a Recorded Regulatory Agreement. As of June 30, 2023, the outstanding principal balance is \$4,063,000.

On February 17, 2015, the City approved a fifty-five (55) year development impact fee (DIF) loan deferral for Brawley Pacific Associate (aka AMG & Associates) to secure California Tax Credit Allocation Committee funds to build a 41-unit two story income restricted family apartment complex located on the southeast corner of Malan Street and South 1st Street. On the third (3rd) anniversary year of the project construction loan closing and thereafter the \$238,879 DIF loan shall bear annual simple interest of 3% with a 55-year term and payments made from residual receipts and secured by a Promissory Note and Deed of Trust. As of June 30, 2023, the outstanding principal balance is \$238,879 and the outstanding interest balance is \$25,082.

On March 14, 2019, the City approved a fifty-five (55) year development impact fee (DIF) loan deferral for Brawley Adams I CIC, L.P. (aka Maker) to secure California Tax Credit Allocation Committee funds to build a 60-unit affordable housing apartment complex. Located at 1598 C Street. Upon issuance of certificate of occupancy and thereafter the \$526,793 DIF loan shall bear annual compound interest of 2.91% with a 55-year term and payments made from 20% of residual receipts and secured by a Promissory Note and Deed of Trust. As of June 30, 2023, the outstanding principal balance is \$391,228 and the outstanding interest balance is \$0.

# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

### 6) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Balance as of June 30, 2022	Additions	Deletions	Balance as of June 30, 2023
<b>Governmental Activities</b>				
Nondepreciable capital assets				
Land	\$ 966,706	\$ -	\$ -	\$ 966,706
Construction in progress	2,945,178	3,151,013	-	6,096,191
Total nondepreciable capital assets	<u>3,911,884</u>	<u>3,151,013</u>	<u>-</u>	<u>7,062,897</u>
Depreciable capital assets				
Equipment	11,090,221	1,854,929	(23,334)	12,921,816
Software subscriptions	-	730,754	-	730,754
Buildings	14,565,604	29,981	-	14,595,585
Improvements other than buildings	18,272,190	-	-	18,272,190
Infrastructure	27,181,822	-	-	27,181,822
Total depreciable capital assets	<u>71,109,837</u>	<u>2,615,664</u>	<u>(23,334)</u>	<u>73,702,167</u>
Less accumulated depreciation				
Equipment	(9,202,043)	(425,996)	-	(9,628,039)
Software subscriptions	-	(223,662)	-	(223,662)
Buildings	(6,545,872)	(459,885)	-	(7,005,757)
Improvements other than buildings	(10,399,352)	(671,390)	-	(11,070,742)
Infrastructure	(18,976,688)	(1,335,965)	-	(20,312,653)
Total accumulated depreciation	<u>(45,123,955)</u>	<u>(3,116,898)</u>	<u>-</u>	<u>(48,240,853)</u>
Net depreciable capital assets	<u>25,985,882</u>	<u>(501,234)</u>	<u>(23,334)</u>	<u>25,461,314</u>
Net capital assets	<u>\$ 29,897,766</u>	<u>\$ 2,649,779</u>	<u>\$ (23,334)</u>	<u>\$ 32,524,211</u>

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

General government	\$ 2,103,636
Public safety	474,011
Culture and leisure	27,054
Community development	369,539
Transportation	3,814
Internal service funds	138,844
Total	<u>\$ 3,116,898</u>

*City of Brawley*

**Notes to Basic Financial Statements  
June 30, 2023**

**6) CAPITAL ASSETS (continued)**

	Balance as of June 30, 2022	Additions	Deletions	Balance as of June 30, 2023
<b>Business-type Activities</b>				
Nondepreciable capital assets				
Land	\$ 37,076	\$ -	\$ -	\$ 37,076
Construction in progress	701,064	386,408	-	1,087,472
Total nondepreciable capital assets	<u>738,140</u>	<u>386,408</u>	<u>-</u>	<u>1,124,548</u>
Depreciable capital assets				
Equipment	3,842,556	110,684	-	3,953,240
Buildings	56,762,536	-	-	56,762,536
Improvements other than buildings	14,743,384	-	-	14,743,384
Conveyance systems	36,938,578	-	-	36,938,578
Total depreciable capital assets	<u>112,287,054</u>	<u>110,684</u>	<u>-</u>	<u>112,397,738</u>
Less accumulated depreciation				
Equipment	(3,061,475)	(192,434)	-	(3,253,909)
Buildings	(25,999,082)	(1,353,470)	-	(27,352,552)
Improvements other than buildings	(7,498,410)	(600,059)	-	(8,098,469)
Conveyance systems	(20,788,632)	(821,868)	-	(21,610,500)
Total accumulated depreciation	<u>(57,347,599)</u>	<u>(2,967,831)</u>	<u>-</u>	<u>(60,315,430)</u>
Net depreciable capital assets	<u>54,939,455</u>	<u>(2,857,147)</u>	<u>-</u>	<u>52,082,308</u>
Net capital assets	<u>\$ 55,677,595</u>	<u>\$ (2,470,739)</u>	<u>\$ -</u>	<u>\$ 53,206,856</u>

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

Water	\$ 1,524,908
Wastewater	976,010
Airport	466,913
Total	<u>\$ 2,967,831</u>

# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

### 7) LONG-TERM LIABILITIES

#### 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, 2023:

	Balance as of June 30, 2022	Additions	Reductions	Balance as of June 30, 2023	Due Within One Year
<b>Governmental Activities:</b>					
Pension obligation bonds	\$ 12,575,000	\$ -	\$ (750,000)	\$ 11,825,000	\$ 815,000
Debt from direct borrowings and direct payments:					
Financed purchases	182,007	60,083	(72,910)	169,180	58,566
Subscriptions	-	457,099	(125,387)	331,712	121,815
Compensated absences	523,065	613,809	(536,233)	600,641	180,192
<b>Total long-term liabilities</b>	<b>\$ 13,280,072</b>	<b>\$ 1,130,991</b>	<b>\$ (1,484,530)</b>	<b>\$ 12,926,533</b>	<b>\$ 1,175,573</b>

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

On July 1, 2017, the City of Brawley issued Pension Obligation Bonds totaling \$16,310,000. The proceeds of the issuance were used to refinance the City's outstanding "side fund" obligation to the California Public Employees' Retirement System (CalPERS) with respect to certain of the City's defined benefit pension plans for its public safety employees and miscellaneous employees. The bonds bear interest with rates between 1.75% and 4.12% with a final maturity date of September 1, 2032. The balance outstanding as of June 30, 2023 is \$11,825,000. Debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 815,000	\$ 427,789	\$ 1,242,789
2025	885,000	399,578	1,284,578
2026	965,000	368,877	1,333,877
2027	1,035,000	368,877	1,403,877
2028	1,125,000	295,803	1,420,803
2029 - 2033	7,000,000	734,441	7,734,441
Total	<u>\$ 11,825,000</u>	<u>\$ 2,595,365</u>	<u>\$ 14,420,365</u>

# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

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### 7) LONG-TERM LIABILITIES (continued)

#### *Governmental Activities (continued)*

##### *Governmental Activities: Financed Purchase*

Starting in March 2020, the city entered into a vehicle lease agreement with Enterprise Fleet management with the goal of strategically replacing obsolete vehicles utilized by multiple departments over several years. In fiscal year 2019-20, four vehicles were financed ranging from \$26,754 to \$29,566 (three of these vehicles are allocated between governmental and business-type activities). In fiscal year 2020-21 two vehicles were financed for \$43,128 each. In fiscal year 2021-22, four vehicles were financed ranging from \$32,570 to \$39,710 (two of these vehicles are allocated between governmental and business-type activities). In fiscal year 2022-23, two vehicles were financed ranging from \$28,482 to \$31,600. Debt service requirements, including interest, as of June 30, 2023, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 58,566	\$ 6,483	\$ 65,049
2025	56,092	8,726	64,818
2026	30,363	5,507	35,870
2027	22,683	4,596	27,279
2028	1,476	410	1,886
Total	<u>\$ 169,180</u>	<u>\$ 25,722</u>	<u>\$ 194,902</u>

##### *Governmental Activities: Subscriptions*

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

Effective July 1, 2022, the City entered into various software subscriptions. An initial subscription liability was recorded in the amount of \$457,099. As of June 30, 2023, the total value of the subscription liabilities is \$331,712. The City is required to make routine payments (some annual, quarterly or monthly). The subscriptions have varying interest rates, ranging from 2.5030% to 3.378%. The total value of the right to use subscription assets is \$730,754, with accumulated amortization of \$223,662 and is included in the capital asset footnote. Each subscription has various extension option lengths.



# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

### 7) LONG-TERM LIABILITIES (continued)

#### Governmental Activities (continued)

Debt service requirements, including interest, as of June 30, 2023, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 121,815	\$ 9,120	\$ 130,935
2025	122,064	6,374	128,438
2026	28,979	2,694	31,673
2027	28,982	1,806	30,788
2028	29,872	916	30,788
Total	<u>\$ 331,712</u>	<u>\$ 20,910</u>	<u>\$ 352,622</u>

#### Business-Type Activities

The following is a summary of long-term debt activity of the City's business-type activities for the fiscal year ended June 30, 2023:

	Balance as of June 30, 2022	Additions	Reductions	Balance as of June 30, 2023	Due Within One Year
<b>Business-type Activities:</b>					
<i>Water Fund</i>					
Debt from direct borrowings and direct payments:					
MFC note payable	\$ 694,500	\$ -	\$ (272,123)	\$ 422,377	\$ 279,658
Unamortized premium	1,486	-	(766)	720	-
Financed purchases	118,323	-	(27,909)	90,414	26,727
<i>Wastewater Fund</i>					
Debt from direct borrowings and direct payments:					
CSWRCB loan	7,690,296	-	(734,948)	6,955,348	742,297
Financed purchases	21,479	-	(5,688)	15,791	5,688
Compensated absences	141,476	113,257	(106,357)	148,376	44,513
Total long-term liabilities	<u>\$ 8,667,560</u>	<u>\$ 113,257</u>	<u>\$ (1,147,791)</u>	<u>\$ 7,633,026</u>	<u>\$ 1,098,883</u>

# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

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### 7) LONG-TERM LIABILITIES (continued)

#### *Business-Type Activities (continued)*

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

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

The debt service requirements to maturity on the note are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 279,658	\$ 9,706	\$ 289,364
2025	142,719	1,962	144,681
Total	<u>\$ 422,377</u>	<u>\$ 11,668</u>	<u>\$ 434,045</u>

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

The City entered into a project finance agreement with the California State Water Resource Control Board (Water Control Board). Through the use of ARRA funds, the Water Control Board provided funding assistance for the rehabilitation and upgrade of the wastewater treatment plant. The City must repay the project funds at an interest rate of 1% per annum. The term of the agreement is from the fiscal year ended June 30, 2013, to the fiscal year ended June 30, 2032. A portion of the loan totaling \$10,000,000 was forgiven by the Water Control Board leaving an outstanding balance of \$6,955,348 at June 30, 2023. In the event of a default the full outstanding balance of the loan immediately becomes due and payable. Annual debt service requirements for the CSWRCB Loan are shown below:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 742,297	\$ 69,554	\$ 811,851
2025	749,720	62,131	811,851
2026	757,218	54,633	811,851
2027	764,790	47,061	811,851
2028	772,438	39,413	811,851
2029 - 2032	3,168,885	79,633	3,248,518
Total	<u>\$ 6,955,348</u>	<u>\$ 352,425</u>	<u>\$ 7,307,773</u>

# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

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### 7) LONG-TERM LIABILITIES (continued)

#### *Business-Type Activities (continued)*

##### *Water Enterprise Fund: Financed Purchase*

Starting in March 2020, the city entered into a vehicle lease agreement with Enterprise Fleet management with the goal of strategically replacing obsolete vehicles utilized by multiple departments over several years. In fiscal year 2019-20, three vehicles were financed ranging from \$29,171 to \$29,566 (these vehicles are allocated between governmental and business-type activities). In fiscal year 2021-22, four vehicles were financed ranging from \$27,268 to \$34,958 (two of these vehicles are allocated between governmental and business-type activities). Debt service requirements, including interest, as of June 30, 2023, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 26,727	\$ 5,119	\$ 31,846
2025	26,343	4,936	31,279
2026	19,088	3,903	22,991
2027	17,076	3,475	20,551
Total	<u>\$ 89,234</u>	<u>\$ 17,433</u>	<u>\$ 106,667</u>

##### *Wastewater Enterprise Fund: Financed Purchase*

Starting in March 2020, the city entered into a vehicle lease agreement with Enterprise Fleet management with the goal of strategically replacing obsolete vehicles utilized by multiple departments over several years. In fiscal year 2019-20, three vehicles were financed ranging from \$29,171 to \$29,566 (These vehicles are allocated between governmental and business-type activities). In fiscal year 2021-22, two vehicles were financed for \$34,952 and 34,968 (these vehicles are allocated between governmental and business-type activities). Debt service requirements, including interest, as of June 30, 2023, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 5,688	\$ 974	\$ 6,662
2025	5,125	908	6,033
2026	2,513	536	3,049
2027	2,465	521	2,986
Total	<u>\$ 15,791</u>	<u>\$ 2,939</u>	<u>\$ 18,730</u>

## **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.

### *Description of Self-Insurance Pool Pursuant to Joint Powers Agreement*

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 124 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

### *Primary Self-Insurance Programs of the Authority*

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

### *Primary Liability Program*

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$500,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

**8) RISK MANAGEMENT (continued)**

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses also have a \$50 million per occurrence limit. The coverage structure is composed of a combination of pooled self-insurance, reinsurance, and excess insurance. Additional information concerning the coverage structure is available on the Authority's website: <https://cjpia.org/coverage/risk-sharing-pools/>.

*Primary Workers' Compensation Program*

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$75,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$75,000 to \$200,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2022-23 the Authority's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased through reinsurance policies, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

*Purchased Insurance*

*Pollution Legal Liability Insurance*

The City participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$250,000 deductible. The Authority has an aggregate limit of \$20 million.

*Property Insurance*

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. City property currently has all-risk property insurance protection in the amount of \$76,322,760. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

# *City of Brawley*

## **Notes to Basic Financial Statements June 30, 2023**

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### **8) RISK MANAGEMENT (continued)**

#### Earthquake and Flood Insurance

The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City property currently has earthquake protection in the amount of \$73,982,078. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

#### Crime Insurance

The City purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

#### *Adequacy of Protection*

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2022-23.

### **9) COMMITMENTS AND CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

#### *Construction Commitments*

Various construction projects were in progress at June 30, 2023. Project costs are funded by various revenue sources and are paid out of the capital projects funds. Management asserts that the remaining commitments on open projects are not significant to the financial statements as of June 30, 2023.

**10) JOINT VENTURES**

Local Transportation Authority:

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

On May 1, 2012 the LTA issued \$53,975,000 of sales tax revenue bonds (limited tax bonds) to fund certain transportation projects for the City and other members of the LTA. The amount made available to the City by this issuance was \$7,723,672. The LTA has pledged the City's share of sales tax revenue as security for the amount. The amount received during the 2022-2023 fiscal year was \$1,943,384, which is net of the City's share of debt service required on this bond issue. The City has no other liability for the debt. The balance outstanding at June 30, 2023 is \$4,470,000. Additional financial information on the LTA is available from the Imperial County Transportation Local Transportation Authority.

Imperial Valley Emergency Communications Authority:

The City is a participant, along with Imperial County and the other cities in the county, in the Imperial Valley Emergency Communication Authority (IVECA). IVECA is considered a joint venture without equity interest. The purpose of IVECA is to consolidate a communications center by equipping, maintaining, operating and staffing a single-site facility to provide emergency communications (call receiving and dispatching) for public safety and emergency services. It is also anticipated that IVECA will provide centralized dispatching services throughout Imperial County at some point in the future. The City's contribution for the 2022-2023 fiscal year was \$162,468.

**11) DEFINED BENEFIT PENSION PLAN**

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

***Plan Descriptions***

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City participates in five rate plans (two miscellaneous and three safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

***Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.



**Notes to Basic Financial Statements  
June 30, 2023**

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**11) DEFINED BENEFIT PENSION PLAN (continued)**

**A) General Information about the Pension Plan (continued)**

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous Plan		Safety Plan	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date	2% @ 55	2% @ 62	3% @ 50	2.7% @ 57
Benefit formula	5 years of service	5 years of service	5 years of service	5 years of service
Benefit vesting schedule	monthly for life	monthly for life	monthly for life	monthly for life
Benefit payments	50 - 67 & up	52 - 67 & up	50 - 55 & up	50 - 57 & up
Retirement age	1.43% to 2.42%	1.0% to 2.5%	3.00%	2.0% to 2.7%
Monthly benefits, as a % of eligible compensation	7.00%	6.75%	9.00%	13.00%
Required employee contribution rates	10.87%	7.47%	23.75%	12.78%
Required employer contribution rates				

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2023 were \$1,682,095. The actual employer payments of \$1,614,504 made to CalPERS by the District during the measurement period ended June 30, 2022 differed from the City's proportionate share of the employer's contributions of \$5,378,805 by \$3,764,300, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

**B) Net Pension Liability**

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

**11) DEFINED BENEFIT PENSION PLAN (continued)**

***B) Net Pension Liability (continued)***

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

The collective total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

<sup>(1)</sup> The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

***Long-term Expected Rate of Return***

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

**11) DEFINED BENEFIT PENSION PLAN (continued)**

***B) Net Pension Liability (continued)***

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The expected real rates of return by asset class are as follows:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return<sup>1,2</sup></u>
Global equity - cap-weighted	30.00%	4.54%
Global equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

<sup>1</sup> An expected inflation of 2.30% used for this period.

<sup>2</sup> Figures are based on the 2021 Asset Liability Management study.

***Change of Assumptions***

Effective with the June 30, 2021, valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

**11) DEFINED BENEFIT PENSION PLAN (continued)**

***B) Net Pension Liability (continued)***

***Discount Rate***

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Subsequent Events***

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

***Pension Plan Fiduciary Net Position***

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

*City of Brawley*

**Notes to Basic Financial Statements  
June 30, 2023**

**11) DEFINED BENEFIT PENSION PLAN (continued)**

**C) Proportionate Share of Net Pension Liability**

The following tables shows the Plan's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/ (Asset)
Balance at: 6/30/2021 (VD)	\$ 98,450,074	\$ 100,679,272	\$ (2,229,198)
Balance at: 6/30/2022 (MD)	104,761,934	89,952,304	14,809,630
Net Changes during 2021-22	<u>\$ 6,311,860</u>	<u>\$ (10,726,968)</u>	<u>\$ 17,038,828</u>

Valuation Date (VD), Measurement Date (MD)

The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The City's proportionate share of the net pension liability for the Total Plan as of the June 30, 2021 and 2022 measurement dates was as follows:

Proportion - June 30, 2021	<u>-0.04122%</u>
Proportion - June 30, 2022	<u>0.12821%</u>
Change - Increase (Decrease)	<u>0.16943%</u>

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 6.9 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.9 percent) or 1 percentage-point higher (7.9 percent) than the current rate:

Plan's Net Pension Liability/(Asset)	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Miscellaneous	\$ 13,483,283	\$ 6,835,844	\$ 1,366,650
Safety	15,706,986	7,973,786	1,653,642
Total	<u>\$ 29,190,269</u>	<u>\$ 14,809,630</u>	<u>\$ 3,020,292</u>

**11) DEFINED BENEFIT PENSION PLAN (continued)**

***C) Proportionate Share of Net Pension Liability (continued)***

***Amortization of Deferred Outflows and Deferred Inflows of Resources***

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2022 is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

***D) Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions***

As of the start of the measurement period (July 1, 2021), the City's net pension asset was \$2,229,198. For the measurement period ending June 30, 2022 (the measurement date), the City incurred a pension expense of \$11,369,670.

*City of Brawley*

**Notes to Basic Financial Statements  
June 30, 2023**

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**11) DEFINED BENEFIT PENSION PLAN (continued)**

***D) Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (continued)***

As of June 30, 2023, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 1,504,474	\$ -
Differences between Expected and Actual Experience	467,283	178,531
Differences between Projected and Actual Investment Earnings	2,511,317	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	4,907,279
Change in Employer's Proportion	8,124,016	-
Pension Contributions Made Subsequent to Measurement Date	1,682,095	-
Total	<u>\$14,289,185</u>	<u>\$ 5,085,810</u>

The amounts above are net of outflows and inflows recognized in the 2021-22 measurement period expense. Contributions subsequent to the measurement date of \$1,682,095 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ending June 30:	Deferred outflows/ (inflows) of Resources
2024	\$ 2,253,867
2025	2,299,456
2026	1,433,992
2027	1,533,965
2028	-
Thereafter	-
Total	<u>\$ 7,521,280</u>

***E) Payable to the Pension Plan***

At June 30, 2023, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year then ended.

# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

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### 12) OTHER POST EMPLOYMENT BENEFITS (OPEB)

#### *Plan Description*

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

#### *Eligibility*

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

	Valuation Date <u>6/30/2021</u>
Participants eligible for OPEB	
Inactive employees or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>121</u>
Total	<u><u>180</u></u>

#### *Total OPEB Liability*

The following tables show the components of the City's annual OPEB cost, the amount paid by the employer as benefits came due, and changes in the OPEB liability for fiscal year June 30, 2023. The City's total OPEB liability of \$3,929,484 was measured as of June 30, 2022, and was determined by an actuarial valuation as of that date.



**12) OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

***Actuarial Method and Assumptions***

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	3.69%
Inflation	2.30%
Salary Increases	2.80% wage inflation plus seniority, merit, and promotion salary increases based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021
Investment Rate of Return	N/A; OPEB Plan is unfunded
Mortality Rate	Based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous and Police members
Healthcare Trend Rate	Based on 2021 Getzen model that reflects actual premium increases through 20231, followed by 5.50% decreasing gradually to an ultimate rate of 4.04% by 2075 for non-Medicare and 3.75% for all years for Medicare

***Discount Rate***

Under GASB 75, the discount rate used in valuing OPEB liabilities as of the Measurement Date for an unfunded plan is a single rate that reflects a yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For the current 2021 actuarial valuation, the municipal bond index as of the Measurement Dates is 1.92%.

*City of Brawley*

**Notes to Basic Financial Statements  
June 30, 2023**

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**12) OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

***Change in Total OPEB Liability***

	<b>Total OPEB Liability</b>
Balance at June 30, 2022 (Valuation Date: June 30, 2021)	<u>\$ 4,701,358</u>
Changes recognized for the measurement period:	
Service cost	373,511
Interest	96,566
Differences between expected and actual experience	(21,124)
Changes of assumptions	(1,129,631)
Benefit payments	<u>(91,196)</u>
Net changes	<u>(771,874)</u>
Balance at June 30, 2023	<u><u>\$ 3,929,484</u></u>

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

Sensitivity of the Total OPEB Liability to changes in the Discount Rate

	<u>Total OPEB Liability</u>
1% decrease in Discount Rate (2.69%)	\$ 4,516,288
Current Discount Rate (3.69%)	\$ 3,929,484
1% increase in Discount Rate (4.69%)	\$ 3,447,831

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates

	<u>Total OPEB Liability</u>
1% decrease om Healthcare Cost Trend Rates	\$ 3,329,102
Current Healthcare Cost Trend Rates	\$ 3,929,484
1% increase in Healthcare Cost Trend Rates	\$ 4,699,225

*City of Brawley*

**Notes to Basic Financial Statements  
June 30, 2023**

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**12) OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

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

For the fiscal year ended June 30, 2023, the City recognized OPEB expense of \$171,451. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes between expected and actual experience	\$ 196,896	\$ 1,376,509
Changes of assumptions	434,342	1,241,936
Contributions to OPEB plan subsequent to the measurement date	105,944	-
	<u>737,182</u>	<u>-</u>
Total	<u>\$ 737,182</u>	<u>\$ 2,618,445</u>

Deferred outflows of resources related to contributions subsequent to the measurement date of \$105,944 will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year ended.

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

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2024	\$ (298,626)
2025	(298,626)
2026	(298,626)
2027	(274,452)
2028	(304,176)
Thereafter	(512,701)
Total	<u>\$ (1,987,207)</u>

# City of Brawley

## Notes to Basic Financial Statements June 30, 2023

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### 13) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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

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

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

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

A) Long-term debt of the Successor Agency as of June 30, 2023, consisted of the following:

	Balance as of June 30, 2022	Additions	Deletions	Balance as of June 30, 2023	Due Within One Year
Tax Allocation Bonds	\$ 3,690,000	\$ -	\$ (200,000)	\$ 3,490,000	\$ 205,000
Unamortized premium	60,386	-	(4,026)	56,360	4,026
Deferred loss on refunding	(94,931)	-	6,329	(88,602)	(6,329)
Totals	<u>\$ 3,655,455</u>	<u>\$ -</u>	<u>\$ (197,697)</u>	<u>\$ 3,457,758</u>	<u>\$ 202,697</u>

#### 2016 Tax Allocation Refunding Bonds Payable

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

*City of Brawley*

**Notes to Basic Financial Statements  
June 30, 2023**

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**13) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (continued)**

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

The scheduled annual minimum debt service requirements at June 30, 2023 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2024	\$ 205,000	\$ 96,875	\$ 301,875
2025	215,000	90,491	305,491
2026	220,000	85,731	305,731
2027	225,000	80,584	305,584
2028	235,000	74,975	309,975
2029 - 2033	1,250,000	274,913	1,524,913
2034 - 2037	1,140,000	75,031	1,215,031
Totals	<u>\$ 3,490,000</u>	<u>\$ 778,600</u>	<u>\$ 4,268,600</u>

**14) PRIOR PERIOD ADJUSTMENTS**

A prior period adjustment was recognized in the government-wide statement of activities due to implementation of GASB 96 *Subscription Based Information Technology Arrangements*.

<u>Governmental Activities</u>	
Net position, beginning of year, as previously stated	\$ 50,403,172
Restatement due to new accounting pronouncement	<u>273,655</u>
Net position, beginning of year, as restated	<u>\$ 50,676,827</u>
Beginning balance - subscription asset	\$ 730,754
Beginning balance - subscription liability	<u>(457,099)</u>
Prior period restatement	<u>\$ 273,655</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

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# City of Brawley

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund For the Fiscal Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property tax	\$ 4,685,800	\$ 4,825,800	\$ 5,104,446	\$ 278,646
Sales and use tax	4,030,000	4,190,000	4,770,324	580,324
Utility users	2,300,000	2,300,000	2,657,345	357,345
Transient lodging	430,000	430,000	484,779	54,779
Franchise	650,000	650,000	657,498	7,498
Business license	54,000	54,000	66,538	12,538
Licenses and permits	32,100	32,100	56,071	23,971
Fines and forfeitures	13,100	13,100	14,803	1,703
Charges for services	4,868,701	5,104,448	5,102,359	(2,089)
Use of money and property	32,660	32,660	85,415	52,755
Intergovernmental	260,000	1,008,439	769,990	(238,449)
Miscellaneous	265,000	1,314,650	306,520	(1,008,130)
<b>Total revenues</b>	<b>17,621,361</b>	<b>19,955,197</b>	<b>20,076,088</b>	<b>120,891</b>
<b>EXPENDITURES</b>				
Current:				
General government	3,182,654	4,759,954	2,803,803	1,956,151
Public safety	9,596,696	10,105,903	9,719,622	386,281
Culture and leisure	2,102,311	2,210,489	2,116,210	94,279
Community development	1,969,973	2,076,308	1,439,602	636,706
Capital outlay	-	21,000	457,099	(436,099)
Debt service:				
Principal	750,000	871,868	922,163	(50,295)
Interest	452,100	513,382	513,374	8
<b>Total expenditures</b>	<b>18,053,734</b>	<b>20,558,904</b>	<b>17,971,873</b>	<b>2,587,031</b>
Excess of revenues over (under) expenditures	(432,373)	(603,707)	2,104,215	2,707,922
<b>OTHER FINANCING SOURCES (USES)</b>				
Financed purchase	-	-	60,083	60,083
Subscription acquisitions	-	-	457,099	457,099
Transfers in	448,683	448,683	423,718	(24,965)
Transfers out	-	(33,310)	-	33,310
<b>Total other financing sources (uses)</b>	<b>448,683</b>	<b>415,373</b>	<b>940,900</b>	<b>525,527</b>
<b>Net change in fund balance</b>	<b>16,310</b>	<b>(188,334)</b>	<b>3,045,115</b>	<b>3,233,449</b>
Fund balance - beginning of fiscal year	5,598,209	5,598,209	5,598,209	-
<b>Fund balance - end of fiscal year</b>	<b>\$ 5,614,519</b>	<b>\$ 5,409,875</b>	<b>\$ 8,643,324</b>	<b>\$ 3,233,449</b>

*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, 2023**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 17,000	\$ 17,000	\$ 107,643	\$ 90,643
Intergovernmental	110,000	110,000	3,317	(106,683)
Miscellaneous	100	100	-	(100)
Total revenues	<u>127,100</u>	<u>127,100</u>	<u>110,960</u>	<u>(16,140)</u>
<b>EXPENDITURES</b>				
Current:				
Community development	<u>114,100</u>	<u>114,100</u>	<u>156,541</u>	<u>(42,441)</u>
Total expenditures	<u>114,100</u>	<u>114,100</u>	<u>156,541</u>	<u>(42,441)</u>
Net change in fund balance	13,000	13,000	(45,581)	(58,581)
Fund balance - beginning of fiscal year	<u>7,639,060</u>	<u>7,639,060</u>	<u>7,639,060</u>	<u>-</u>
Fund balance - end of fiscal year	<u>\$ 7,652,060</u>	<u>\$ 7,652,060</u>	<u>\$ 7,593,479</u>	<u>\$ (58,581)</u>

*City of Brawley*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
American Rescue Plan (ARPA) Special Revenue Fund  
For the Fiscal Year Ended June 30, 2023**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 10,000	\$ 10,000	\$ 13,548	\$ 3,548
Intergovernmental	3,137,028	3,137,028	1,613,242	(1,523,786)
Miscellaneous	-	-	-	-
Total revenues	<u>3,147,028</u>	<u>3,147,028</u>	<u>1,626,790</u>	<u>(1,520,238)</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	3,596,200	29,981	3,566,219
Public safety	-	576,559	-	576,559
Capital outlay	-	1,569,417	1,566,871	2,546
Debt Service:				
Principal	-	16,022	16,022	-
Interest	-	369	369	-
Total expenditures	<u>-</u>	<u>5,758,567</u>	<u>1,613,243</u>	<u>4,145,324</u>
Net change in fund balance	3,147,028	(2,611,539)	13,547	2,625,086
Fund balance - beginning of fiscal year	<u>49,203</u>	<u>49,203</u>	<u>49,203</u>	<u>-</u>
Fund balance - end of fiscal year	<u>\$ 3,196,231</u>	<u>\$ (2,562,336)</u>	<u>\$ 62,750</u>	<u>\$ 2,625,086</u>

*City of Brawley*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Highway Relinquishment Special Revenue Fund  
For the Fiscal Year Ended June 30, 2023**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 60,000	\$ 60,000	\$ 22,417	\$ (37,583)
Miscellaneous	-	-	304,070	304,070
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>326,487</u>	<u>266,487</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>40,000</u>	<u>41,700</u>	<u>116,730</u>	<u>(75,030)</u>
Total expenditures	<u>40,000</u>	<u>41,700</u>	<u>116,730</u>	<u>(75,030)</u>
Excess of revenues over (under) expenditures	<u>20,000</u>	<u>18,300</u>	<u>209,757</u>	<u>191,457</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(562,550)</u>	<u>(560,850)</u>	<u>(547,352)</u>	<u>13,498</u>
Total other financing sources (uses)	<u>(562,550)</u>	<u>(560,850)</u>	<u>(547,352)</u>	<u>13,498</u>
Net change in fund balance	(542,550)	(542,550)	(337,595)	204,955
Fund balance - beginning of fiscal year	<u>635,825</u>	<u>635,825</u>	<u>635,825</u>	<u>-</u>
Fund balance - end of fiscal year	<u>\$ 93,275</u>	<u>\$ 93,275</u>	<u>\$ 298,230</u>	<u>\$ 204,955</u>

*City of Brawley*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Measure D Special Revenue Fund  
For the Fiscal Year Ended June 30, 2023**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 25,000	\$ 25,000	\$ 23,777	\$ (1,223)
Intergovernmental	1,500,000	1,500,000	1,943,384	443,384
Total revenues	1,525,000	1,525,000	1,967,161	442,161
<b>EXPENDITURES</b>				
Current:				
Public works	333,409	354,123	342,074	12,049
Total expenditures	333,409	354,123	342,074	12,049
Excess of revenues over (under) expenditures	1,191,591	1,170,877	1,625,087	454,210
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(2,055,467)	(2,532,083)	(948,944)	1,583,139
Total other financing sources (uses)	(2,055,467)	(2,532,083)	(948,944)	1,583,139
Net change in fund balance	(863,876)	(1,361,206)	676,143	2,037,349
Fund balance - beginning of fiscal year	7,089,135	7,089,135	7,089,135	-
Fund balance - end of fiscal year	\$ 6,225,259	\$ 5,727,929	\$ 7,765,278	\$ 2,037,349

## City of Brawley

### Required Supplementary Information Schedule of the City's Proportionate Share of the Net Pension Liability Last Ten Years\*

Measurement Date	Employer's Proportion of the Collective Net Pension Liability / (Asset) <sup>1</sup>	Employer's Proportionate Share of the Collective Net Pension Liability / (Asset)	Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability / (Asset) as a percentage of the Covered Payroll	Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability / (Asset)
6/30/2014	0.273%	\$ 16,595,334	\$ 7,564,276	219.39%	79.82%
6/30/2015	0.256%	17,598,726	7,550,886	233.07%	77.27%
6/30/2016	0.248%	21,420,429	8,001,162	267.72%	72.69%
6/30/2017	0.242%	24,015,174	7,543,740	318.35%	71.71%
6/30/2018	0.074%	7,107,035	7,360,997	96.55%	73.39%
6/30/2019	0.072%	7,397,749	7,533,772	98.19%	73.37%
6/30/2020	0.091%	9,846,592	7,335,135	134.24%	89.78%
6/30/2021	-0.041%	(2,229,198)	6,602,459	-33.76%	102.26%
6/30/2022	0.128%	14,809,630	6,897,217	214.72%	85.86%

\* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

<sup>1</sup> Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

# City of Brawley

## Required Supplementary Information Schedule of Pension Contributions Last Ten Years\*

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	\$ 1,783,377	\$ (1,783,377)	\$ -	\$ 7,550,886	23.62%
6/30/2016	1,806,003	(1,806,003)	-	8,001,162	22.57%
6/30/2017	2,313,745	(2,313,745)	-	7,543,740	30.67%
6/30/2018	925,723	(17,806,372)	(16,880,649)	7,360,997	12.58%
6/30/2019	951,338	(951,338)	-	7,533,772	12.63%
6/30/2020	997,419	(997,419)	-	7,335,135	13.60%
6/30/2021	1,273,362	(1,273,362)	-	6,602,459	19.29%
6/30/2022	1,614,504	(1,614,504)	-	6,897,217	23.41%
6/30/2023	1,682,095	(1,682,095)	-	7,346,248	22.90%

\* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

### Notes to Schedule:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2020 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

# City of Brawley

## Required Supplementary Information Schedule of Changes in Total OPEB Liability and Related Ratios Last Ten Years\*

Measurement Date (June 30) Fiscal Year ended (June 30)	2022 2023	2021 2022	2020 2021	2019 2020	2018 2019	2017 2018
<b>Total OPEB Liability</b>						
Service cost	\$ 373,511	\$ 394,752	\$ 326,673	\$ 285,565	\$ 273,166	\$ 299,551
Interest	96,566	160,111	174,584	169,334	155,924	130,903
Differences between expected and actual experience	(21,124)	(1,805,786)	553,152	383,528	-	-
Changes of assumptions	(1,129,631)	(111,530)	(5,805)	161,809	(38,747)	(415,296)
Benefit payments	(91,196)	(152,228)	(167,303)	(115,331)	(94,476)	(89,254)
Net change in total OPEB liability	(771,874)	(1,514,681)	881,301	884,905	295,867	(74,096)
Total OPEB liability - beginning	4,701,358	6,216,039	5,334,738	4,449,833	4,153,966	4,228,062
Total OPEB liability - ending (a)	<u>\$ 3,929,484</u>	<u>\$ 4,701,358</u>	<u>\$ 6,216,039</u>	<u>\$ 5,334,738</u>	<u>\$ 4,449,833</u>	<u>\$ 4,153,966</u>
Covered-employee payroll	\$ 6,577,373	\$ 6,322,852	\$ 8,914,601	\$ 8,732,808	\$ 7,807,710	\$ 8,037,184
Total OPEB liability as a percentage of covered-employee payroll	59.74%	74.36%	69.73%	61.09%	56.99%	51.68%

\* Measurement date 6/30/2017 (fiscal year 2018) was the first year of implementation. Additional years will be presented as information becomes available.

### Notes to schedule:

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

Contributions are fixed and not based on a measure of pay, therefore covered-employee payroll is used in the schedule.

### *Changes in assumptions:*

Single Equivalent Discount Rate (SEDR) was increased from 1.92% as of June 30, 2021 to 3.69% as of June 30, 2022 based on the updated municipal bond index, which caused a decrease in the liability.

Second year health care trend rates have been updated to reflect actual premium increases from 2022 to 2023, which caused a slight decrease in the liability.



1) BUDGETS AND BUDGETARY DATA

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

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

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

**General Budget Policies**

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

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**SUPPLEMENTARY INFORMATION**

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*City of Brawley*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Development Impact Capital Projects Fund  
For the Fiscal Year Ended June 30, 2023**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 823,000	\$ 823,000	\$ 1,238,962	\$ 415,962
Use of money and property	15,850	15,850	66,656	50,806
Total revenues	838,850	838,850	1,305,618	466,768
<b>EXPENDITURES</b>				
Current:				
General government	8,000	8,000	-	8,000
Public safety	9,000	9,000	-	9,000
Culture and leisure	6,000	6,000	2,440	3,560
Community development	35,210	65,210	32,899	32,311
Capital outlay	1,722,000	3,327,395	26,354	3,301,041
Total expenditures	1,780,210	3,415,605	61,693	3,353,912
Net change in fund balance	(941,360)	(2,576,755)	1,243,925	3,820,680
Fund balance, beginning of year	8,054,038	8,054,038	8,054,038	-
Fund balance, end of year	\$ 7,112,678	\$ 5,477,283	\$ 9,297,963	\$ 3,820,680

*City of Brawley*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Streets Capital Projects Fund  
For the Fiscal Year Ended June 30, 2023**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 3,104,440	\$ 3,104,440	\$ 246,615	\$ (2,857,825)
Miscellaneous	2,707,079	2,305,979	-	(2,305,979)
Total revenues	5,811,519	5,410,419	246,615	(5,163,804)
<b>EXPENDITURES</b>				
Current:				
Public works	-	-	29,340	(29,340)
Capital outlay	8,826,808	8,902,324	2,529,204	6,373,120
Total expenditures	8,826,808	8,902,324	2,558,544	6,343,780
Excess of revenues over (under) expenditures	(3,015,289)	(3,491,905)	(2,311,929)	1,179,976
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,015,289	3,491,905	1,496,296	(1,995,609)
Transfers out	-	(29,340)	-	29,340
Total other financing sources (uses)	3,015,289	3,462,565	1,496,296	(1,966,269)
Net change in fund balance	-	(29,340)	(815,633)	(786,293)
Fund balance, beginning of year	544,424	544,424	544,424	-
Fund balance (deficit), end of year	\$ 544,424	\$ 515,084	\$ (271,209)	\$ (786,293)

## *City of Brawley*

### **Description Nonmajor Governmental Funds June 30, 2023**

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#### **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.

**Public Transport Fund** – To account for revenue received from the State under Article 8(e) Local, which is restricted for capital expenditures to acquire vehicles and related equipment, bus shelters, benches, communication equipment, and for meeting public transportation needs.

**Road Maintenance Fund** – To account for revenue derived from the Road Repair and Accountability Act (RMRA) of 2017 (SB1). Uses are restricted to street improvements and maintenance.

**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.

**Local 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.

**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).

**Business License Fund** – To account for revenue the State mandated \$4 business license fee associated with ADA compliance under Assembly Bill 1379 (2017). These revenues are remitted to the State of California.

**CDBG - Sr. Citizen Utility Grant** – To account for revenue received from a utility assistance grant received for COVID impacted senior citizens.

#### **Capital Projects Funds**

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

**Park Projects** – This fund accounts for grant funding and contributions that are to be used on parks capital improvements projects.

*City of Brawley*

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2023**

	Special Revenue Funds			
	Gas Tax	Public Transport	Road Maintenance	Pedestrian & Bicycle Facilities
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 264,599	\$ 1,998,927	\$ 209,487
Restricted cash and investments with fiscal agents	-	-	-	-
Interest receivable	-	460	3,284	319
Due from other governments	63,292	123,042	53,982	53,487
	<u>63,292</u>	<u>123,042</u>	<u>53,982</u>	<u>53,487</u>
Total assets	<u>\$ 63,292</u>	<u>\$ 388,101</u>	<u>\$ 2,056,193</u>	<u>\$ 263,293</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 44,082	\$ 205	\$ -	\$ -
Accrued liabilities	4,981	-	-	-
Advances from others	383,908	-	-	-
Due to other funds	536,436	-	-	-
	<u>969,407</u>	<u>205</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>969,407</u>	<u>205</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenues	-	123,042	-	53,487
	<u>-</u>	<u>123,042</u>	<u>-</u>	<u>53,487</u>
Fund balances:				
Restricted for:				
Streets and roads	-	264,854	2,056,193	209,806
Public safety	-	-	-	-
Community development	-	-	-	-
CFD improvements and maintenance	-	-	-	-
Unassigned	(906,115)	-	-	-
	<u>(906,115)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance (deficit)	<u>(906,115)</u>	<u>264,854</u>	<u>2,056,193</u>	<u>209,806</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 63,292</u>	<u>\$ 388,101</u>	<u>\$ 2,056,193</u>	<u>\$ 263,293</u>



(continued)

Special Revenue Funds				
Downtown Parking	Local Law Enforcement	Assessment Districts	Business License	CDBG - Sr. Citizen Utility Grant
\$ 5,034	\$ 216,254	\$ 1,158,853	\$ 13,831	\$ 21,667
-	-	179,191	-	-
8	301	1,858	44	-
-	12,521	120	-	-
<u>\$ 5,042</u>	<u>\$ 229,076</u>	<u>\$ 1,340,022</u>	<u>\$ 13,875</u>	<u>\$ 21,667</u>
\$ -	\$ 40,642	\$ 6,871	\$ 54	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>40,642</u>	<u>6,871</u>	<u>54</u>	<u>-</u>
-	-	-	-	-
5,042	188,434	-	-	-
-	-	-	13,821	21,667
-	-	1,333,151	-	-
-	-	-	-	-
<u>5,042</u>	<u>188,434</u>	<u>1,333,151</u>	<u>13,821</u>	<u>21,667</u>
<u>\$ 5,042</u>	<u>\$ 229,076</u>	<u>\$ 1,340,022</u>	<u>\$ 13,875</u>	<u>\$ 21,667</u>

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*City of Brawley*

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2023**

**(concluded)**

	<u>Capital Projects Fund</u>	Total Nonmajor Governmental Funds
	<u>Park Projects</u>	<u>Funds</u>
<b>ASSETS</b>		
Cash and investments	\$ 33,310	\$ 3,921,962
Restricted cash and investments with fiscal agents	-	179,191
Interest receivable	-	6,274
Due from other governments	-	306,444
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 33,310</u>	<u>\$ 4,413,871</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ -	\$ 91,854
Accrued liabilities	-	4,981
Unearned revenue	-	383,908
Due to other funds	-	536,436
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>-</u>	<u>1,017,179</u>
Deferred inflows of resources:		
Unavailable revenues	-	176,529
	<u>                    </u>	<u>                    </u>
Fund balances:		
Restricted for:		
Streets and roads	-	2,530,853
Public safety	-	193,476
Community development	33,310	68,798
CFD improvements and maintenance	-	1,333,151
Unassigned	-	(906,115)
	<u>                    </u>	<u>                    </u>
Total fund balance (deficit)	<u>33,310</u>	<u>3,220,163</u>
	<u>                    </u>	<u>                    </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 33,310</u>	<u>\$ 4,413,871</u>

*City of Brawley*

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2023**

	Special Revenue Funds			
	Gas Tax	Public Transport	Road Maintenance	Pedestrian & Bicycle Facilities
<b>REVENUES</b>				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Use of money and property	109	474	4,369	649
Intergovernmental	708,686	-	594,629	-
Miscellaneous	67,293	-	-	-
Total revenues	<u>776,088</u>	<u>474</u>	<u>598,998</u>	<u>649</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	1,383,916	22,723	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	10,112	-	-	-
Interest	1,731	-	-	-
Total expenditures	<u>1,395,759</u>	<u>22,723</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(619,671)</u>	<u>(22,249)</u>	<u>598,998</u>	<u>649</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out	<u>(22,852)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(22,852)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(642,523)	(22,249)	598,998	649
Fund balance (deficit) - beginning of fiscal year	<u>(263,592)</u>	<u>287,103</u>	<u>1,457,195</u>	<u>209,157</u>
Fund balance (deficit) - end of fiscal year	<u>\$ (906,115)</u>	<u>\$ 264,854</u>	<u>\$2,056,193</u>	<u>\$ 209,806</u>

(Continued)

Special Revenue Funds				
Downtown Parking	Local Law Enforcement	Assessment Districts	Business License	CDBG - Sr. Citizen Utility Grant
\$ -	\$ -	\$ 259,802	\$ -	\$ -
665	-	-	4,570	-
12	96	2,613	(13,164)	124
-	526,044	216,713	-	123,393
-	-	-	-	-
<u>677</u>	<u>526,140</u>	<u>479,128</u>	<u>(8,594)</u>	<u>123,517</u>
-	259,886	-	-	-
-	-	43,354	-	-
-	-	-	450	-
-	744,000	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>1,003,886</u>	<u>43,354</u>	<u>450</u>	<u>-</u>
<u>677</u>	<u>(477,746)</u>	<u>435,774</u>	<u>(9,044)</u>	<u>123,517</u>
<u>-</u>	<u>(51)</u>	<u>(226,632)</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(51)</u>	<u>(226,632)</u>	<u>-</u>	<u>-</u>
677	(477,797)	209,142	(9,044)	123,517
<u>4,365</u>	<u>666,231</u>	<u>1,124,009</u>	<u>22,865</u>	<u>(101,850)</u>
<u>\$ 5,042</u>	<u>\$ 188,434</u>	<u>\$ 1,333,151</u>	<u>\$ 13,821</u>	<u>\$ 21,667</u>

*City of Brawley*

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2023**

**(concluded)**

	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Park Projects</u>	
<b>REVENUES</b>		
Property tax	\$ -	\$ 259,802
Charges for services	-	5,235
Use of money and property	-	(4,718)
Intergovernmental	33,310	2,202,775
Miscellaneous	-	67,293
	<u>33,310</u>	<u>2,530,387</u>
Total revenues		
<b>EXPENDITURES</b>		
Current:		
Public safety	-	259,886
Community development	-	43,354
Public works	-	1,407,089
Capital outlay	-	744,000
Debt Service:		
Principal	-	10,112
Interest	-	1,731
	<u>-</u>	<u>2,466,172</u>
Total expenditures		
Excess of revenues over (under) expenditures	<u>33,310</u>	<u>64,215</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfer out	<u>-</u>	<u>(249,535)</u>
Total other financing sources (uses)	<u>-</u>	<u>(249,535)</u>
Net change in fund balance	33,310	(185,320)
Fund balance (deficit) - beginning of fiscal year	<u>-</u>	<u>3,405,483</u>
Fund balance (deficit) - end of fiscal year	<u>\$ 33,310</u>	<u>\$ 3,220,163</u>

# *City of Brawley*

**Internal Service Funds**  
**June 30, 2023**

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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 units, 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, 2023**

	<u>Maintenance</u>	<u>Risk Management</u>	<u>Total Internal Service Funds</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,400,614	\$ -	\$ 1,400,614
Interest receivable	2,301	-	2,301
Due from other governments	-	2,350	2,350
Loans receivable	-	3,282	3,282
Total current assets	<u>1,402,915</u>	<u>5,632</u>	<u>1,408,547</u>
Noncurrent assets:			
Capital assets:			
Construction in progress	11,138	-	11,138
Depreciable assets	3,522,519	-	3,522,519
Total capital assets	<u>3,533,657</u>	<u>-</u>	<u>3,533,657</u>
Less accumulated depreciation	<u>(2,431,819)</u>	<u>-</u>	<u>(2,431,819)</u>
Net capital assets	<u>1,101,838</u>	<u>-</u>	<u>1,101,838</u>
Total noncurrent assets	<u>1,101,838</u>	<u>-</u>	<u>1,101,838</u>
Total assets	<u>2,504,753</u>	<u>5,632</u>	<u>2,510,385</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	(77)	1,441	1,364
Accrued liabilities	-	4	4
Due to other funds	-	417,773	417,773
Total current liabilities	<u>(77)</u>	<u>419,218</u>	<u>419,141</u>
Total liabilities	<u>(77)</u>	<u>419,218</u>	<u>419,141</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,101,838	-	1,101,838
Unrestricted	1,402,992	(413,586)	989,406
Total net position	<u>\$ 2,504,830</u>	<u>\$ (413,586)</u>	<u>\$ 2,091,244</u>



*City of Brawley*

**Internal Service Funds  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30, 2023**

	Maintenance	Risk Management	Total
<b>REVENUES</b>			
Charges for services	\$ -	\$ 97,230	\$ 97,230
<b>EXPENSES</b>			
Salary and benefits	75,705	-	75,705
Supplies and services	16,039	38,225	54,264
Depreciation	138,844	-	138,844
Total expenses	230,588	38,225	268,813
Operating income (loss)	(230,588)	59,005	(171,583)
<b>NON- OPERATING REVENUE (EXPENSES)</b>			
Use of money and property	3,368	-	3,368
Total non-operating revenue	3,368	-	3,368
Net income (loss) before transfers	(227,220)	59,005	(168,215)
Transfers out	(5,718)	-	(5,718)
Change in net position	(232,938)	59,005	(173,933)
Net position (deficit), beginning of fiscal year	2,737,768	(472,591)	2,265,177
Net position (deficit), end of fiscal year	\$ 2,504,830	\$ (413,586)	\$ 2,091,244

*City of Brawley*

**Internal Service Funds  
Combining Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2023**

	Maintenance	Risk Management	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from users	\$ -	\$ 94,880	\$ 94,880
Cash payments to suppliers and contractors	(16,846)	(38,702)	(55,548)
Cash payments for employees and benefit programs	(78,737)	4	(78,733)
Net cash provided (used) by operating activities	<u>(95,583)</u>	<u>56,182</u>	<u>(39,401)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Transfers	(5,718)	-	(5,718)
Loan repayment issuance	-	1,303	1,303
Interfund borrowing (repayment)	-	(57,485)	(57,485)
Net cash used by non-capital financing activities	<u>(5,718)</u>	<u>(56,182)</u>	<u>(61,900)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Use of money and property	1,775	-	1,775
Net cash provided (used) by investing activities	<u>1,775</u>	<u>-</u>	<u>1,775</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (99,526)	 -	 (99,526)
 CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	 <u>1,500,140</u>	 <u>-</u>	 <u>1,500,140</u>
 CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	 <u>\$ 1,400,614</u>	 <u>\$ -</u>	 <u>\$ 1,400,614</u>

*City of Brawley*

**Internal Service Funds  
Combining Statement of Cash Flows (Continued)  
For the Fiscal Year Ended June 30, 2023**

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	<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>\$ (230,588)</u>	<u>\$ 59,005</u>	<u>\$ (171,583)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	138,844	-	138,844
Increase (decrease) in due from other governments	-	(2,350)	(2,350)
Increase (decrease) in accounts payable and accrued liabilities	<u>(3,839)</u>	<u>(473)</u>	<u>(4,312)</u>
Total adjustments	<u>135,005</u>	<u>(2,823)</u>	<u>132,182</u>
Net cash provided (used) by operating activities	<u><u>\$ (95,583)</u></u>	<u><u>\$ 56,182</u></u>	<u><u>\$ (39,401)</u></u>

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