

CITY OF BREA, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL PERIOD ENDED JUNE 30, 2014

PREPARED BY:  
ADMINISTRATIVE SERVICES DEPARTMENT

WILLIAM GALLARDO  
ASSISTANT CITY MANAGER / ADMINISTRATIVE SERVICES DIRECTOR

LEE SQUIRE  
FINANCIAL SERVICES MANAGER

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COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2014

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City of Brea

December 17, 2014

Honorable Mayor, Members of the City Council, and Citizens of the City of Brea:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Brea for the Fiscal Year ended June 30, 2014. This report is published in accordance with local ordinance and state law requirements that financial statements be presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Brea. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Brea has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Brea's financial statements. Because the cost of internal controls should not outweigh their benefits, the City of Brea's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

As management, we assert that, to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City of Brea. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Lance, Soll & Lunghard, LLP, a firm of licensed certified public accountants, has audited the City of Brea's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Brea for the Fiscal Year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City of Brea's financial statements for the Fiscal Year ended June 30, 2014, are fairly presented in all material respects in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

The City of Brea is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-133, Audits of State and Local Governments. Information related to this single audit, including a schedule of expenditures of federal awards assistance, the independent auditors' reports on the internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs is available in the City of Brea's separately issued Single Audit Report.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Brea's MD&A can be found immediately following the report of the independent auditors.

## **CITY OF BREA PROFILE**

The City of Brea, a diverse residential and business community is located at the most northern tip of Orange County at the juncture of three counties with access to major airports, popular regional attractions, beaches, deserts and mountains. Nestled among the hillsides, just 25 miles southeast of Los Angeles, Brea is home to more than 40,000 residents and hosts a daytime working population of more than 100,000.

The long-term economic condition and outlook of Brea and Orange County is trending upward. The City is a major retail center featuring the county's fourth largest shopping center, the Brea Mall; the Brea Union Plaza; Brea's Downtown; and a host of other retail and service businesses. Brea is also a center for big businesses such as Albertson Distribution Warehouse, Bank of America, Beckman-Coulter, Bristol Industries, Kirkhill-TA Company, Evangelical Christian Credit Union, Kaiser Permanente, Kindred Hospital, Nature's Best, Veterinary Pet Insurance Company and Nestle Waters North America. Several companies' corporate headquarters are located within Brea, including Suzuki Motor of America and Mercury Insurance. Although Brea is a major retail and business hub, it maintains a balance with nature, preserving its hillside and canyon areas, which also contribute to Brea's quality of life. Brea is home to one of the nation's largest outdoor sculpture collections, with 161 pieces of sculpture created to date, an art gallery and a performing arts theatre. Brea has long been recognized for its vision and innovation. It possesses a focused economic development strategy, designed to ensure a well-balanced, economically viable community which includes a wide range of housing, beautiful parks and excellent schools.

Brea provides an excellent portfolio of responsive municipal services. The City operates as a "full service city," providing a full range of services including police and fire protection, water and sanitation services, construction and maintenance of streets and infrastructure, recreational and cultural services. Besides serving its own residential and business customers, Brea has a tradition of entrepreneurial ventures providing services to numerous other public agencies such as information technology, printing and public information services.

The City of Brea operates under the Council-Manager form of government, and is governed by a five member City Council elected at large, serving staggered four-year terms. Council elections are held in November of even-numbered years in conjunction with statewide general elections.

The annual budget serves as the foundation for the City of Brea's financial planning and control. The budget is adopted on an annual basis by the City Council in June of each year. The budget team, with the approval of the City Manager, develops budget guidelines in January. The various City departments then submit revenue estimates and expenditure appropriation requests for the one-year period that begins July 1. Budget meetings are held with each department, which leads to the development of the proposed budget. The City Manager then presents the proposed budget document to the City Council, which is discussed with the City Council in public workshops in mid-May. Formal public hearings are held in early June. The City Council adopts the annual budget on or before June 30 of each year. At the conclusion of the first six months, the budget team prepares a report on the progress of the first half of the budget cycle. The City Manager formally reviews the report with the City Council. The City Council adopts budget modifications as needed. The level of budgetary control is established at the department level within the General Fund and at the fund level for all other funds.

## **LOCAL ECONOMIC FACTORS**

Brea's physical setting encompasses about 7,955 acres or 12.43 square miles of land. Brea's land use is distributed as follows:

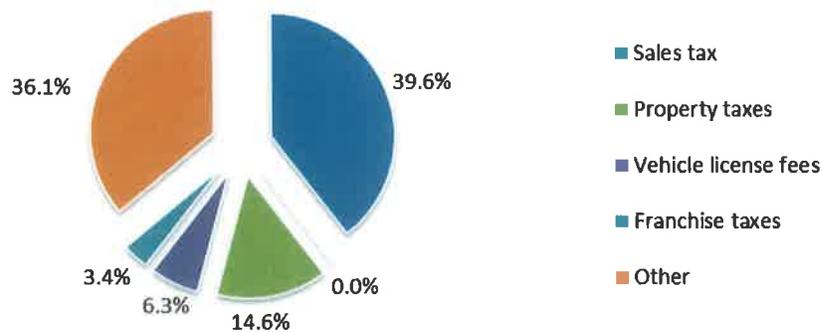
## Land Use Distribution

Land Use	Percent
Residential (single-family, multi-family, and mobile homes)	26%
Commercial and Office	5
Industrial	12
Parks and Open Space	14
Public Facilities (City facilities, schools, drainage channels, and fire stations)	4
Carbon Canyon Hillside Areas and Vacant Lands	21
Agriculture	1
Vacant	2
Other (streets)	15
<b>Total</b>	<b>100%</b>

*Source: City of Brea General Plan (2003)*

The current land use mix produces General Fund revenues of approximately \$50.1 million. The top four revenue sources include sales tax, property taxes, vehicle license taxes, and franchise taxes. These revenue sources account for 63.9% of the total amount of General Fund revenues. The remaining revenues account for 36.1% of the total, and are represented by a broad range of sources.

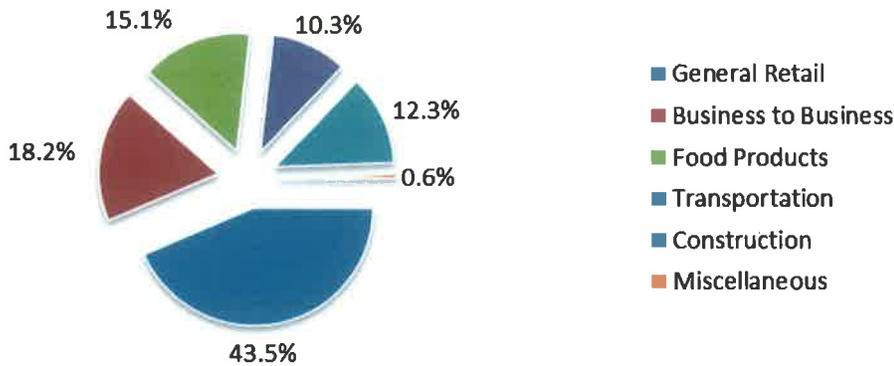
### General Fund Revenues by Revenue Source Fiscal Year Ended June 30, 2014



#### Sales Tax

Sales tax represents the single largest source of General Fund revenue at \$19.8 million. It is derived from six major economic categories as listed in the chart on the following page. The retail category, including department stores, apparel stores and general merchandise, makes up 43.5% of the total sales tax generated. This sector includes the regional Brea Mall, which is the fourth largest mall in sales tax volume in Orange County. The second largest economic sector is the business-to-business category at 18.2%. During Fiscal Year 2013-14, the City's sales tax consultant MuniServices reported that the sales tax receipts grew and improved every quarter throughout the State. In the final quarter of Fiscal Year 2013-14, Brea experienced a 2.2% increase in sales tax compared to the final quarter of Fiscal Year 2012-13. Overall, Brea's sales tax on a per capita basis consistently outperforms other municipalities, a strong indicator that the City imports sales tax dollars from surrounding communities.

## Sales Tax by Economic Categories Fiscal Year Ended June 30, 2014



### Property Taxes

Brea is a very diverse community as previously indicated in the land use chart. General Fund property taxes represent \$7.3 million or 14.6% of General Fund revenues. Assessed valuation of all property (including the former Brea Redevelopment Agency) in Brea is \$7.8 billion, a slight increase of 2.7% over the prior fiscal year. The valuation is split between residential at 50.9%, commercial/industrial at 35.1%, and the remaining 14% for other miscellaneous uses. Of the City's 15,660 dwelling units, 65% are single-family units, 29% are multi-family units and 6% are mobile homes. Housing costs in Brea continue to rank among the highest in North Orange County. Brea, like other cities in Orange County, is experiencing an increase in housing prices. The median price of a single-family home increased from \$560,000 to \$579,000 in Brea from the prior fiscal year.

### Vehicle License Fees (VLF)

When a vehicle is registered in California, a license fee is charged by the State of California. This fee includes a small administrative fee and a property tax in lieu fee. The in lieu fee is based on depreciated value of the vehicle and declines over the useful life of the vehicle. The in lieu fee, while collected by the State Department of Motor Vehicles, belongs to local government (cities and counties). It is allocated based on a per capita basis.

Beginning in January 2005, the Vehicle License Fee was permanently reduced to 0.65% from 2.0% of the vehicle's fair market value. Any loss to cities by this rate reduction will be made up, dollar for dollar, with an allocation from the County's Educational Revenue Augmentation Fund (ERAF) account with two payments, due on or before January 31<sup>st</sup> and May 1<sup>st</sup> of each year. This allocation will grow with any corresponding growth in the City's secured property tax valuation.

### Franchise Taxes

The franchise revenue received by the City is based on adopted City ordinances and contractual agreements. Public utilities (electric and gas) account for 49.4% of the \$1.7 million in annual franchise tax revenue. The remaining 50.6% of this revenue includes franchise fees for oil pipelines, cable television, and other non-city utilities.

**Franchise Taxes**  
**Fiscal Year Ended June 30, 2014**

	<b>Annual Revenue</b>	<b>Percent of Total</b>
Public Utilities	\$ 830,447	49.4%
All Others	851,828	50.6%
Totals	\$ 1,682,275	100.0%

**ECONOMIC OUTLOOK**

Brea's excellent financial condition is not only the result of the City's efforts during Fiscal Year 2013-14, but the result of fiscally conservative organizational decisions made over the past six fiscal years. Some of the past measures included tough strategic decisions such as: City-wide reorganization, increasing employee retirement contributions and other reductions, while maintaining core City services.

Overall, Fiscal Year 2014-15 budget is balanced due to a solid foundation of fiscally conservative practices combined with a continued increase in employee retirement contributions, projecting relatively flat expenditures and a generally improving economy. Revenues for Fiscal Year 2014-15 are projected to increase approximately 6% over estimates for Fiscal Year 2013-14 mainly due to the improving retail and housing market. While this is good news, staff will continue to identify and closely monitor any potential threats to sales tax such as on-line shopping or overall downward economic changes resulting in a decline in consumer confidence.

It is important to understand why the City of Brea (and all local government) is impacted by State Government's decisions and actions. Unlike the State Government, the City does not exert control over two of its primary sources of revenue for the General Fund - property taxes and sales taxes. The State legislature and the Governor are, as usual, looking to local government revenues to help balance their budget.

The following regional factors, along with the State and National economic issues, will continue to place uncertainty on Brea's revenues and expenditures:

- The expected statewide CalPERS increases in FY 2015-16 to address unfunded liability.
- The State's continuing budget uncertainty, including the impact of decisions made by the Department of Finance.
- Increases in the cost of living as the economy continues to improve.

It is expected that these factors will have a potentially negative impact on the City's revenues. Other costs such as energy, water, and equipment are being diligently managed in an effort to minimize the need for future service reductions. Going forward, during Fiscal Year 2014-15, City staff will continue to be diligent in monitoring economic factors and seek additional budget solutions to structurally balance the budget if necessary.

Locally, geographic and socio-economic conditions in Orange County and the City of Brea remain desirable. Property values in the region are projected to slightly increase, and the City's tax base is expected to continue its favorable trend for the foreseeable future. Brea's assessed valuation for Fiscal Year 2013-14 increased by 2.7% from the prior year. Brea's sales tax of \$19.8 million in Fiscal Year 2013-14 increased 5% compared to the prior fiscal year. Based on economic data trends and projections, sales tax revenue is projected to increase an additional 5% for Fiscal Year 2014-15.

Highlights for the State of California from the UCLA Anderson Forecast on December 10, 2014 include the following:

- California's economic picture remains essentially unchanged. With the growth of housing starts slightly lower than expected, not due to low demand but rather difficulties associated with starting multi-family housing projects.
- Overall, the State will see employment growth of 2.1% in 2015 and 2.2% in 2016.
- In 2015, the State's unemployment rate is forecasted to average 6.6%, a slight decrease from previous forecasts, and in 2016 the rate is predicted to be approximately 5.6%, just slightly higher than the U.S. forecast of 5% by the end of 2016.
- Real personal income growth in California is expected to be approximately 4.5% in both 2015 and 2016.

On the national front, the recent drop in oil prices will have a positive impact on the national economy, with the trading price dropping from \$100 to \$75 per barrel. Such a drop translates to at least a 50-cent per gallon price cut for gasoline. The forecast for U.S. economy shows 3% growth for the next two years, as lower oil prices and higher wages boost consumer spending. The GDP is also expected to see a sustained period of 3% growth, specifically through 2016. Contributing to an improving national economy is the forecasted improvement in the employment market, adding 200,000 to 260,000 jobs monthly thereby reducing the national unemployment rate to 5% by the end of 2016. Policy interest rates will stay low throughout 2015, but with end of quantitative easing the federal government will likely begin to increase interest rates by the end of 2015.

## **LONG-TERM FINANCIAL PLANNING**

### Brea Engagement & Strategy Team (formally known as Budget Strategic Planning)

Representatives from all City departments began meeting since late 2005 to discuss budget strategic planning issues. Over 40 City staff members work collaboratively on an ongoing basis. Originally, these meetings focused on identifying and evaluating changing City needs, a significant amount of which is spurred by future development. Likewise, in years past this included identification of capital project needs across all departments, as well as associated staff and supply needs which are anticipated for those projects. Additionally, staff explored various revenue generating options. In Fiscal Year 2009-10, the focus shifted to tackling economic impacts to the City's budget, including state revenue takeaways and revenue deferrals. The financial decisions reached as a result of the City's collaborative budget planning process are reflected in the Fiscal Year 2013-14 financials. The Brea Engagement & Strategy Team (BEST) implemented previously recommended stop-gap measures including expenditure reductions, revenue enhancements, and also which City needs would remain unmet. BEST continues to meet to focus on addressing changes to the budget and other organizational concerns that may be necessary to sustain the City over the course of the next several fiscal years and beyond.

### Capital Improvement Program (CIP) Budget

The goal of the seven-year CIP is to enhance the quality of life in the community, ensure a safe environment and to promote transportation improvement in the City. The CIP for Fiscal Year 2013-14, the first one of the seven years, reflects the City Council's commitment to this goal by enhancing existing infrastructure and providing new infrastructure to aid in service delivery to the community. The remaining six years of the CIP are not a commitment of actual funds, but rather a long-range planning tool for subsequent investments in the City's infrastructure. The CIP is divided into six categories: streets, traffic safety, water, storm drain, sewer, and facility improvements.

### Community Center Reserves

Funds are set aside annually for the future replacement of the Community Center facility and equipment. Ongoing review of facility and equipment needs allows the City to manage and plan for expenditures in a more proactive manner. The balance in Community Center Reserves at June 30, 2014 was \$800,857.

## Capital Asset Reserves

Funds are set aside annually for the replacement of City-owned infrastructure, facilities and capital assets. In addition to a fixed annual contribution, an assessment is made at the end of each fiscal year to determine whether an additional contribution can be made based upon a review of General Fund excess revenues over expenditures. The balance in Capital Asset Reserves at June 30, 2014 was \$9,745,875.

## **MAJOR INITIATIVES**

### Pension Reform

Starting in Fiscal Year 2011-12, the City of Brea began the first year of pension reform for both safety and non-safety employees by requiring employees to contribute toward their retirement and instituting a second retirement tier for new employees.

Safety employees hired prior to July 1, 2011 began to pay toward their retirement costs over the term of the bargaining unit memorandums of understanding (MOUs). On July 1, 2011, they began to pay 2.25% of salary; plus an additional 2.25% of salary on July 1, 2012 and July 1, 2013, for a total of 6.75% of their base pay toward their retirement costs. Safety employees hired after July 1, 2011 will contribute 9% of their base pay toward their retirement. In addition, the MOUs for sworn safety employees that include fire, police and police management contain provisions to change the retirement formula from the 3% @ age 50 CalPERS formula to the 2% @ age 50 CalPERS retirement formula for employees hired between July 1, 2011 and December 31, 2012. Sworn safety employees hired on or after January 1, 2013, as required by State law (AB340), will be enrolled in a CalPERS retirement formula of 2.7% at age 57.

Non-safety employees also began to contribute toward their retirement. On July 1, 2011, they began to pay 1.125% of salary plus an additional 1.125% of salary on July 1, 2012 and July 1, 2013, for a total of 3.375% of their base pay over the term of the bargaining unit memorandums of understanding (MOUs). Non-safety employees hired after July 1, 2011 will contribute 7% of their base pay toward their retirement. In addition, AB340 changed the CalPERS retirement formula for miscellaneous employees from 2% @ age 55 to 2% @ age 62 for miscellaneous employees hired on or after January 1, 2013.

Starting in Fiscal Year 2011-12 and through Fiscal Year 2013-14, the total employee contributions were \$2.6 million. In addition, the implementation of a multi-tiered retirement system is a long-term savings measure whereby savings are not fully realized for many years in the future.

### Water Rights

The City of Brea currently imports 100% of its water from two major suppliers: Californian Domestic Water Company (Cal Domestic) and the Metropolitan Water District of Orange County (MWDOC). In May 2014, the city approved the purchase of additional water rights ("preferred shares") from Cal Domestic to secure the purchase of water each year from the Main San Gabriel Basin. The City acquired 1,277.72 ac/ft of water rights at a cost not to exceed \$16,000 per ac/ft for a total of \$20,443,520. The purchase was paid by inter-fund loans from the General Fund (\$8,000,000), the Traffic Impacts Fees Fund (\$11,000,000) and Sewer Utility Fund (\$1,443,520). The Water Utility Fund issued bonds in August 2014 to repay the inter-fund loans. In addition to short term cost savings, owning water rights will significantly improve the City's control over its future and places the City in a desirable position should water scarcity continue into the future.

### 2014 Water Revenue Bonds

In August 2014, The Brea Community Benefit Financing Authority issued \$18.6 million Brea Community Benefit Financing Authority 2014 Water Revenue Bonds. The combined proceeds of which were used to finance the purchase of \$20.4 million in water rights purchased in May 2014 and to repay the inter-fund loans to the City's Water Utility Fund totaling the same amount.

### Olinda Alpha Landfill Agreement

In July 2009, the City of Brea entered in to the cooperative agreement with the County of Orange regarding the Olinda Alpha Landfill. The Olinda Alpha Landfill is located near the City of Brea, and operated by the County of Orange. The agreement extended the operations of the landfill through 2021 and provided the City \$10.5 million for use by the City to benefit community amenities and transportation improvements. The \$10.5 million will be paid over three installments of \$3.5 million each. The first \$3.5 million will be used for the Valencia Avenue Road Project. The remaining \$7 million will provide funding for projects at the City's discretion (\$3.5 million paid in Fiscal Year 2009-10 and 2011-12). Beginning January 2014 through the closure of the landfill, the County will pay the City \$1.50 per ton for In-County waste accepted at the Landfill. This is expected to generate approximately \$1.1 million per year through 2021. This is in addition to the current rate of \$1.13 per ton for Out-Of-County waste accepted at the Landfill. This is similarly expected to generate approximately \$1 million through the Landfill closure.

### Bond Financing

In December 2013, the Successor Agency to the Brea Redevelopment Agency issued its \$96,620,000 Successor Agency to the Brea Redevelopment Agency Redevelopment Project AB 2013 Tax Allocation Refunding Bonds to refund the outstanding balance of the Brea Redevelopment Agency 2001 Tax Allocation Refunding Bonds, Series A in the amount of \$36,205,000 and to refund the current interest bonds and term bonds outstanding of the 2003 Tax Allocation Bonds in the amount of \$68,390,000.

In February 2014, the City of Brea issued its \$1,630,000 City of Brea Community Facilities District No. 1996-1 (Downtown Brea Public Improvements) 2014 Special Tax Refunding Bonds to refund the outstanding balance of the City of Brea Community Facilities District No. 1996-1 (Downtown Brea Public Improvements) 1997 Special Tax Bonds in the amount of \$1,610,000.

### **AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Brea for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2013. This was the 24<sup>th</sup> consecutive year that the City of Brea has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGMENTS

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of Lee Squire, Financial Services Manager – Accounting, and the entire staff of the Administrative Services Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

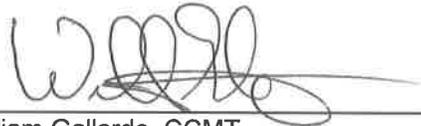
We also would like to thank our independent auditor, Lance, Soll & Lunghard, LLP, for their expertise and advice in the preparation of this year's financial report.

In closing, without the leadership and support of the City Council of the City of Brea, preparation of this report would not have been possible.

Sincerely,

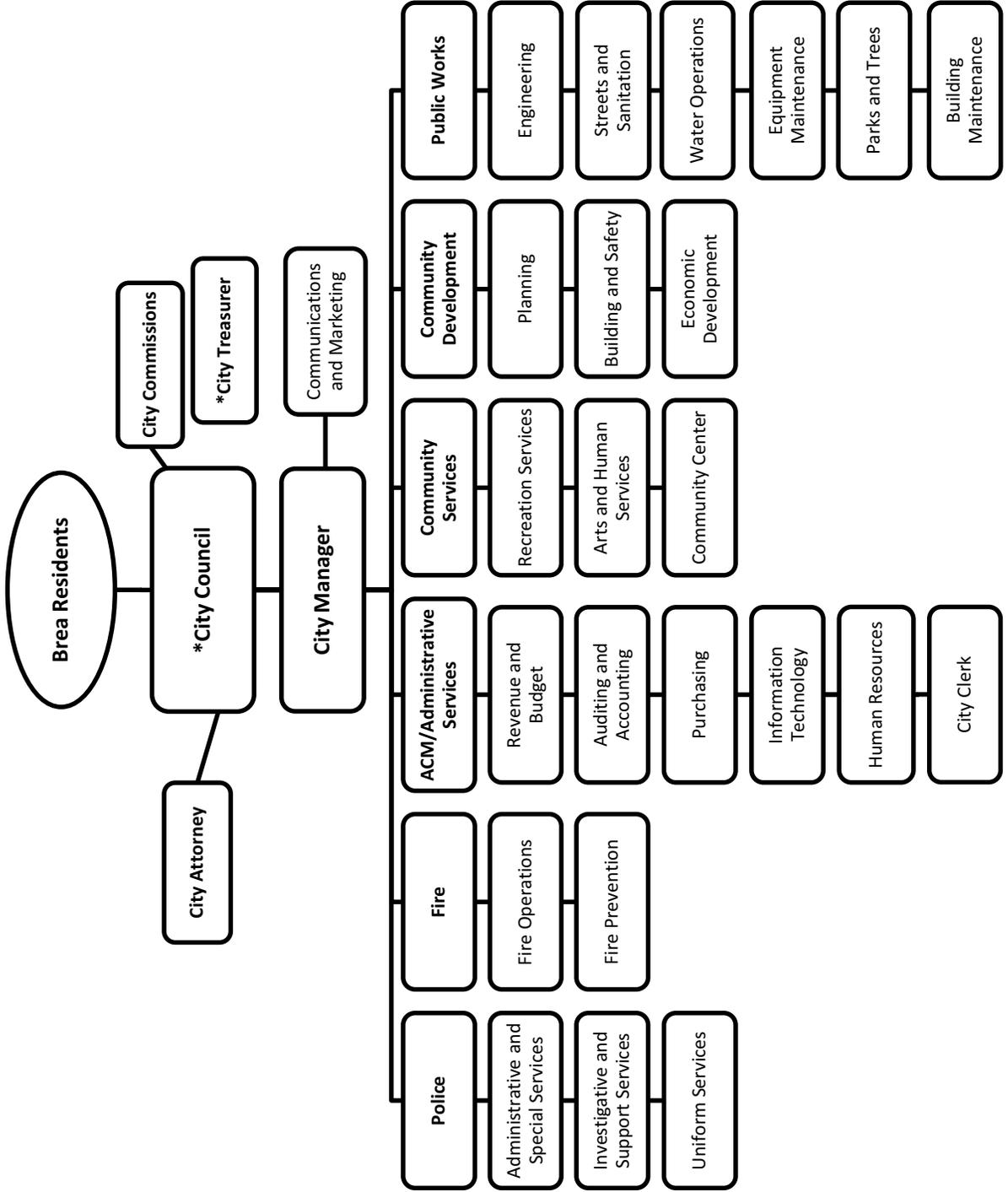


Tim O'Donnell  
City Manager



William Gallardo, CCMT  
Assistant City Manager/Administrative Services  
Director

# CITY ORGANIZATION CHART



\*Elected



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Brea  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
City of Brea, California

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brea, California, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the Honorable Mayor and Members of the City Council  
City of Brea, California

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brea, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



To the Honorable Mayor and Members of the City Council  
City of Brea, California

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Lance, Solt & Luyhard, LLP*

Brea, California  
December 15, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Brea's Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2014. This analysis should be read in conjunction with the Transmittal Letter at the front of this report and the accompanying Basic Financial Statements.

### FINANCIAL HIGHLIGHTS

**Long-Term Economic Resource (Government-wide) Focus** – Economic resources are differentiated from financial resources in that the economic measurement focus measures changes in net position as soon as the event occurs regardless of the timing of related cash flows. Therefore, this measurement focus includes both current spendable resources and fixed non-spendable assets, and long-term claims against these assets. The resulting net position utilizing this measurement focus provides one measure of the City's overall long-term financial condition.

- The assets and deferred inflows of the City exceeded its liabilities at the close of the most recent fiscal year by \$300.4 million.
- The City's total net position increased \$2.7 million to \$300.4 million as a result of current year operations.
- The City's non-current liabilities of \$53.4 million include \$42.3 million of outstanding bonded debt and capital leases, which was used to finance the acquisition of capital assets and to fund capital improvements. Total capital assets, net of depreciation represent \$237 million of the \$363.7 million in total assets. A significant portion of the capital assets have been funded through bond financing from the former Brea Redevelopment Agency.

**Short-Term Financial Resource (Fund) Focus** – The financial resources focus measures inflows of current spendable assets. The resulting net difference between current financial assets and current financial liabilities otherwise known as fund balance (or net working capital in the private sector) is to measure the City's ability to finance activities in the near term.

- At the close of the current fiscal year, the City's Governmental Funds reported a combined ending fund balance of \$79.9 million, a decrease of \$4.4 million. Of the total combined fund balance of \$79.9 million for governmental funds, \$19.3 million was nonspendable, \$30.2 million was restricted, \$8.6 million was committed, \$800,857 was assigned, and \$21 million was unassigned. Of the \$4.4 million decrease, \$2.6 million was due to the loss on sale of the Acacia Affordable Apartments caused by the deed restrictions on affordable housing.
- The General Fund reported an increase of \$499,270 in fund balance resulting in total ending fund balance of \$32.8 million. Of total ending fund balance, \$1.1 million was nonspendable, \$1.2 million was restricted, \$8.6 million was committed, \$800,857 was assigned, and \$21 million was unassigned. The unassigned balance is available for future appropriations.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the comprehensive annual financial report contains the following information: *Independent Auditors' Report*, *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and the *Supplementary Information* section, an optional section that presents combining and budgetary schedules for individual non-major funds. The *Basic Financial Statements* are comprised of three components: 1) *Government-wide Financial Statements*, 2) *Fund Financial Statements* and 3) *Notes to the Financial Statements*. The Management's Discussion and Analysis is intended to be an introduction to the Basic Financial Statements.

## **BASIC FINANCIAL STATEMENTS**

**Government-wide Financial Statements** – The Government-wide Financial Statements are intended to provide a “Big Picture” view of the City as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the City’s assets (including non-spendable assets like streets and roads), liabilities (including long-term liabilities that may be paid over twenty or more years) and any deferred outflows of resources. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide Financial Statements report the City’s net position and how they have changed. Net position – the difference between the City’s assets and liabilities – is one way to measure the City’s financial health, or position. Over time, increases or decreases in the City’s net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the City, one should also consider additional non-financial factors such as changes in the City’s property tax base and the condition of the City’s roads.

The Government-wide Financial Statements of the City are divided into two categories:

**Governmental Activities** – This statement depicts the extent to which programs are self-supporting and the net amount provided by property taxes and other general revenues. Most of the City’s basic services are included in this category, such as public safety, community development, community services, public works, and general administration. Taxes and charges for services finance most of these activities.

**Business-type Activities** – The City’s business enterprises include urban runoff, water utility, sewer utility, sanitation, and information technology external support. The City charges fees to customers to recover the cost of providing these services.

**Fund Financial Statements** – Funds are accounting devices that the City uses to track and control resources intended for specific purposes. The Fund Financial Statements provide more detailed information about the City’s most significant funds (major funds) but not the City as a whole. Some funds are required by State and Federal law or by bond covenants. Other funds are utilized simply to control and manage resources intended for particular purposes.

The City utilizes three broad categories of funds:

**Governmental Funds** – Governmental Funds are used to account for essentially the same functions reported as Government Activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements utilize the financial resources measurement focus and thus concentrate on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Consequently, the Governmental Fund Financial Statements provide a detailed short-term view that helps a reader determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs.

**Proprietary Funds** – Services for which the City charges customers a fee are generally reported in Proprietary Funds (Enterprise Funds and Internal Service Funds). Like the Government-wide Financial Statements, these funds provide both long and short-term financial information utilizing the economic resources measurement focus. The City’s Enterprise Funds (urban runoff, water, utility, sewer utility, sanitation, and information technology external support) are individual funds represented in the combined presentation of Business-type Activities in the Government-wide Financial Statements. The individual fund presentation provides more detailed information about each business segment, its operating statements, and statements of cash flow. The City also uses Internal Service Funds that are utilized to report and allocate the cost of certain centrally managed and operated activities (risk management, equipment replacement, and building occupancy). Because the Internal Service Funds primarily serve the government, they are

reported with Governmental Activities rather than the Business-type Activities in the Government-wide Financial Statements.

**Fiduciary Funds** – The City utilizes Fiduciary Funds to account for assets held by the City in a trustee capacity, or as an agent for other governmental entities, private organizations, or individuals. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's Government-wide Financial Statements because the City cannot use these assets to finance its operations.

**Notes to the Financial Statements** – The financial statements also include the Notes to the Financial Statements that provide important narrative details about the information contained in the financial statements. Information contained in the Notes to the Financial Statements is critical to a reader's full understanding of the Government-wide and Fund Financial Statements.

**Supplementary Information** – In addition to the required elements of the Basic Financial Statements, we have also included a Supplementary Information section, which includes budgetary and combining schedules that provide additional details about the City's non-major Governmental Funds, Enterprise Funds, Internal Service Funds, and Fiduciary Funds.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Position** – Net position may serve over time as a useful indicator of a government's financial position. The City's combined net position for the year ended June 30, 2014, as shown in Table 1, were \$300.4 million.

**Table 1**  
**Net Position**  
**Fiscal Year Ended June 30, 2014**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		Total	Activities
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 96,901	\$ 100,605	\$ 29,749	\$ 23,182	\$ 126,650	\$ 123,787
Capital assets	171,680	172,451	65,329	66,418	237,009	238,869
<b>Total assets</b>	<b>268,581</b>	<b>273,056</b>	<b>95,078</b>	<b>89,600</b>	<b>363,659</b>	<b>362,656</b>
Deferred charge on refunding	-	-	1,147	1,310	1,147	-
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>1,147</b>	<b>1,310</b>	<b>1,147</b>	<b>-</b>
Noncurrent liabilities	18,074	18,887	35,341	36,275	53,415	55,162
Other liabilities	6,341	6,730	4,670	4,396	11,011	11,126
<b>Total liabilities</b>	<b>24,415</b>	<b>25,617</b>	<b>40,011</b>	<b>40,671</b>	<b>64,426</b>	<b>66,288</b>
Net Investment in Capital Assets	164,750	165,032	31,397	36,805	196,147	201,837
Restricted	48,419	53,379	5,214	7,411	53,633	60,790
Unrestricted	30,997	29,028	19,603	6,024	50,600	35,052
<b>Total net position</b>	<b>\$ 244,166</b>	<b>\$ 247,439</b>	<b>\$ 56,214</b>	<b>\$ 50,240</b>	<b>\$ 300,380</b>	<b>\$ 297,679</b>

**Net Investment of Capital Assets** – The largest component of the \$363.7 in total assets is the City's investment in capital assets (e.g., land, buildings, infrastructure, and equipment), representing \$237 million or 65.2% of total assets. Of the \$53.4 million in long-term (Noncurrent) liabilities, \$42.3 million represents outstanding bonded debt and capital leases. The proceeds from this debt were used to finance the acquisition of capital assets and to fund capital improvements. A significant portion of the capital assets have been funded through bond financing from the former Brea Redevelopment Agency.

**Restricted Net Position** –The \$53.6 million in restricted net position was on overall decrease of \$7.2 million from the prior fiscal year.

**Unrestricted Net Position** – The \$50.6 million in unrestricted net position was an overall increase of \$15.5 million from the prior fiscal year.

Overall the City's net position increased \$2.7 million during the current fiscal year.

**Table 2**  
**Change in Net Position**  
**Fiscal Year Ended June 30, 2014**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		Total Activities	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 10,838	\$ 16,068	\$ 26,120	\$ 22,864	\$ 36,958	\$ 38,932
Operating grants and contributions	3,503	4,955	11	11	3,514	4,966
Capital grants and contributions	1,188	3,496	1,209	-	2,397	3,496
General Revenues:						
Taxes:						
Property taxes	13,315	12,321	-	-	13,315	12,321
Sales taxes	20,658	19,315	-	-	20,658	19,315
Transient occupancy taxes	1,513	1,401	-	-	1,513	1,401
Franchise taxes	1,682	1,694	-	-	1,682	1,694
Business license taxes	1,054	985	-	-	1,054	985
Other taxes	861	691	-	-	861	691
Motor vehicle in lieu	69	72	-	-	69	72
Use of money and property	803	610	126	55	929	665
Rental Income	1,329	-	-	-	1,329	-
Other	483	2,820	1,184	1,936	1,667	4,756
Gain (loss) on sale of capital asset	76	-	179	-	255	-
Extraordinary gain/(loss) on dissolution of redevelopment agency		21,522		-	-	21,522
<b>Total Revenues</b>	<b>57,372</b>	<b>85,950</b>	<b>28,829</b>	<b>24,866</b>	<b>86,201</b>	<b>110,816</b>
Expenses:						
General government	7,352	7,495	-	-	7,352	7,495
Public safety	31,409	35,849	-	-	31,409	35,849
Community development	5,201	2,615	-	-	5,201	2,615
Community services	7,024	6,623	-	-	7,024	6,623
Public works	10,093	9,719	-	-	10,093	9,719
Interest on long-term debt	458	501	-	-	458	501
Urban runoff	-	-	311	289	311	289
Water utility	-	-	16,048	14,883	16,048	14,883
Sewer utility	-	-	1,526	1,354	1,526	1,354
Sanitation	-	-	2,849	2,789	2,849	2,789
Information Technology External Support	-	-	1,229	1,272	1,229	1,272
<b>Total Expenses</b>	<b>61,537</b>	<b>62,802</b>	<b>21,963</b>	<b>20,587</b>	<b>83,500</b>	<b>83,389</b>
Change in net position before transfers	(4,165)	23,148	6,866	4,279	2,701	27,427
Transfers	892	3,257	(892)	(3,257)	-	-
Change in net position	(3,273)	26,405	5,974	1,022	2,701	27,427
Net position at beginning of year	247,439	220,572	50,240	49,020	297,679	269,592
Restatement of Net position	-	462	-	197	-	659
<b>Net position at end of year</b>	<b>\$ 244,166</b>	<b>\$ 247,439</b>	<b>\$ 56,214</b>	<b>\$ 50,240</b>	<b>\$ 300,380</b>	<b>\$ 297,679</b>

**Governmental Activities** – The cost of all Governmental Activities in the current fiscal year was \$61.5 million. As shown on the statement of activities, \$10.8 million of the cost was paid by those who directly benefited from the programs, \$4.7 million was financed by contributions and grants received from other governmental organizations, developers, and property owners for both capital and operating activities, and \$46 million was subsidized through general city revenues.

The City reported program revenues of \$15.5 million and general revenues and transfers of \$42.7 million. Expenses for all Governmental Activities for the year totaled \$61.5 million. Therefore, as a result of operations, the City's change in net position before transfers decreased by \$4.2 million in comparison with the prior fiscal year. Of this decrease, \$2.6 million was due to the loss on the sale of Acacia Affordable Apartments caused by the deed restrictions on affordable housing.

Property tax revenues for Fiscal Year 2013-14 posted an increase of \$1 million when compared to Fiscal Year 2012-13. The increase in property tax revenues is primarily due to the increase in sale value of residential and commercial properties as well as new residential sales of the Blackstone and La Floresta housing development.

Sales tax revenues for Fiscal Year 2013-14 were \$1.3 million more when compared to Fiscal Year 2012-13. The increase in sales tax revenues is reflective of a growing economy.

Total expenses for Fiscal Year 2013-14 were \$61.5 million, a decrease of \$1.3 million when compared to Fiscal Year 2012-13. This was primarily due to a combination of the reduction of public safety expenses and an increase in community development expenses.

Brea is a full service city providing residents, businesses and visitors with the following functional services:

General Government is comprised of two departments (City Council/City Manager and Administrative Services) providing general governance, executive management, legal services, communication and marketing, human resources, records management, information technology, accounting, budget, treasury, utility billing, purchasing and reprographics.

Public Safety is comprised of two departments (Police Services and Fire Services) providing general law enforcement, public safety dispatch, fire suppression, fire prevention, paramedic services and emergency preparedness.

Community Development is comprised of two divisions (Planning & Building Services and Economic Development Services) providing planning, zoning and building services, redevelopment services, economic development and housing services.

Community Services is overseen by one department and includes recreation, arts and human services, and the community center.

Public Works is overseen by one department and includes engineering and construction of public facilities, parks, streets and related infrastructure, traffic engineering as well as the maintenance of all public facilities, parks, streets and related infrastructure.

Business-type activities is comprised of two departments (Public Works and Administrative Services) providing five activities to residential and business customers (urban runoff, water utility, sewer utility, sanitation services and information technology external support to public agencies).

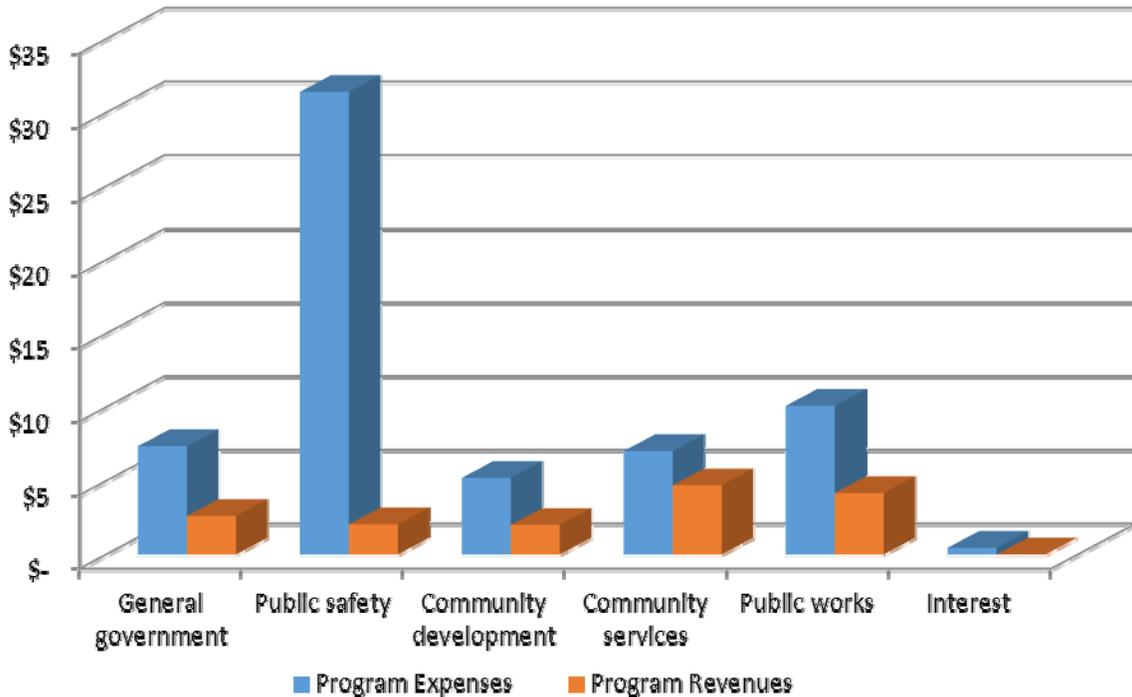
Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the City's general taxes support each of the City's programs.

**Table 3**  
**Governmental Activities**  
**Fiscal Year Ended June 30, 2014**  
**(in thousands)**

	Program Expenses		Program Revenues	
	2014	2013	2014	2013
General government	\$ 7,352	\$ 7,495	\$ 2,613	\$ 4,648
Public safety	31,409	35,849	2,042	7,596
Community development	5,201	2,615	2,006	2,825
Community services	7,024	6,623	4,695	3,649
Public works	10,093	9,719	4,173	5,802
Interest on long-term debt	458	501	-	-
<b>Totals</b>	<b>\$ 61,537</b>	<b>\$ 62,802</b>	<b>\$ 15,529</b>	<b>\$ 24,520</b>

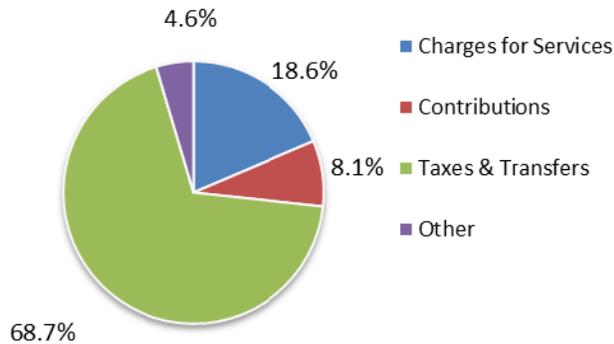
Of the \$15.5 million in program revenues that financed the Governmental Activities, 30% was utilized for Community Services, 27% was utilized for Public Works, 17% was utilized for General Government, and the remaining 26% supplemented Public Safety and Community Development.

**Table 4**  
**Program Expenses and Revenues - Governmental Activities**  
**Fiscal Year Ended June 30, 2014**  
**(In millions)**

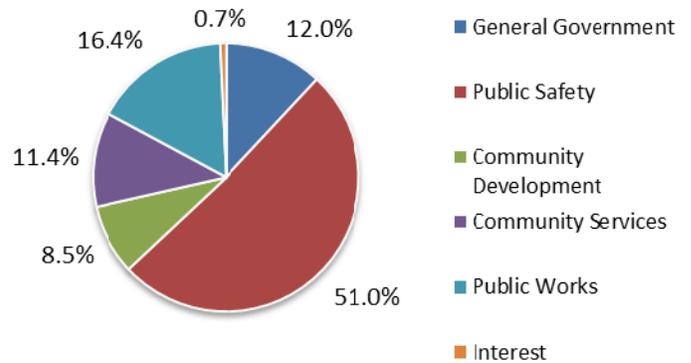


**Table 5  
Governmental Activities  
Fiscal Year Ended June 30, 2014**

**Revenues by Source**



**Functional Expense**



Major Governmental Activities in the current fiscal year included the following:

*Revenues*

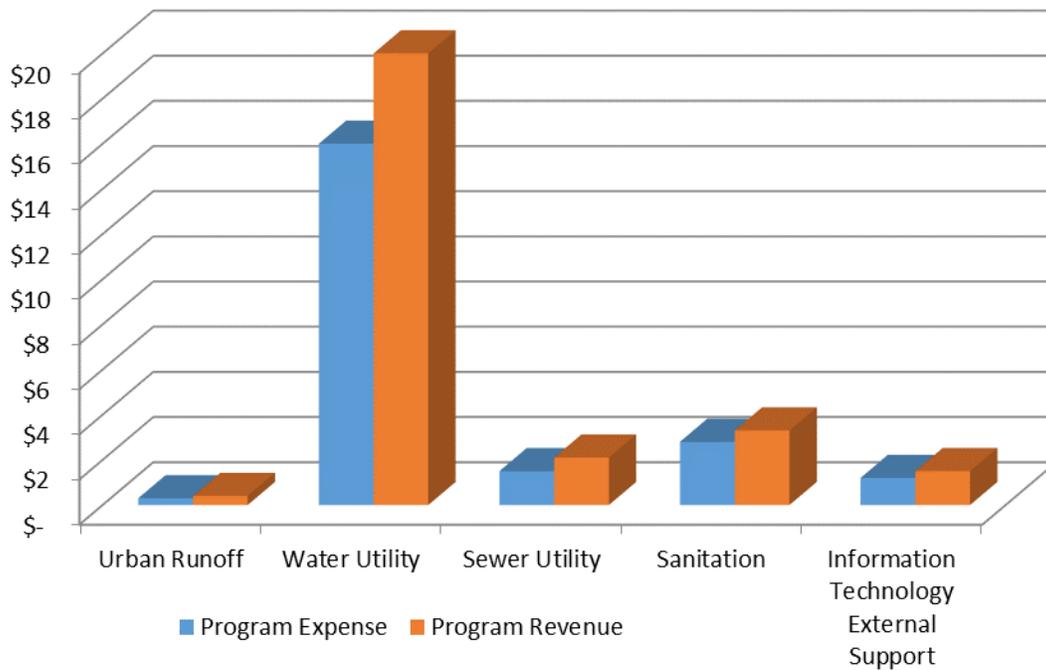
- The City's combined amount of program revenues, general revenues, extraordinary gain and transfers were \$58.3 million. This amount includes operating and capital contributions and grants of \$4.7 million and \$40 million in taxes and transfers.
- Of the \$58.3 million in total governmental revenues and transfers, 26.7% represents Program Revenues and 68.7% represents taxes & transfers. Other revenues makes up 4.6%.

*Expenses*

- In the current year, expenses for all Governmental Activities were \$61.5 million. See Table 5 for an analysis of the expenses by function/program.

**Business-type Activities** – Business-type Activities increased the City’s net position by \$6 million which was comprised of various changes in the net position of the urban runoff, water utility, sewer utility, sanitation and information technology external support activities. Business-type Activities are financed primarily by fees charged to external parties for goods and services.

**Table 6**  
**Program Expense & Revenue – Business-type Activities**  
**Fiscal Year Ended June 30, 2014**  
**(in millions)**



Business-type Activities in the current fiscal year included the following:

The water utility activity had an increase in net position of \$5.2 million. The increase in net position was primarily due to the increase in charges for services. Of the \$13.9 million in water related expenses, 54.5% was from the purchase of water, 9.7% was from maintenance and other operating expenses, 14.5% was from depreciation, and 21.3% covered personnel costs. Water rates were adjusted effective on January 1, 2014, to fund on-going operations, recapture the bond coverage ratio and provide funding for planned capital improvements to the water utility system.

The sewer utility activity had an increase in net position of \$548,935. The increase in net position was primarily due to a decrease in transfers for capital improvement projects. Of the \$1.5 million in sewer related expenses, 13.8% was from maintenance and other operating expenses, 25.4% from depreciation and 60.8% from personnel costs.

The urban runoff activity had an increase in net position of \$65,615. This increase was due to revenues of \$380,256, and expenses of \$311,380. Operating expenses, which included maintenance and operation costs of \$105,024, personnel costs of \$205,418, and depreciation of \$938, totaled \$311,380 while

operating revenues were \$380,256. This resulted in a net operating income of \$68,876 resulting in the increase in net position stated above.

The sanitation utility activity had a decrease in net position of \$12,033. The decrease in net position was due to revenues of \$3.3 million, expenses of \$2.9 million and a transfer out of \$470,000. Operating expenses, which included maintenance and operation costs of \$2.4 million and personnel costs of \$441,748.

The information technology external support activity had an increase in net position of \$82,535. The increase in net position was primarily due to a decrease in transfers out. Operating revenues of \$1.5 million exceeded operating expenses of \$1.2 million by a total of \$229,647.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to highlight available financial resources and to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – Utilizing the financial resources measurement focus, the City's Governmental Funds provide information on near-term inflows and outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$79.9 million, a decrease of \$4.4 million. Restricted fund balance totals \$30.2 million, legally restricted by external parties. Committed fund balance totals \$8.6 million which is for capital asset replacement. Assigned fund balance totals \$800,857 which is primarily for community center replacement. Unassigned fund balance totals \$21 million.

The General Fund ended the fiscal year with a \$32.8 million fund balance, a net increase of \$499,270. Nonspendable fund balance of \$1.1 million is for advances to other funds, restricted fund balance of \$1.2 million is for such items as debt service funds with trustees and for lighting and landscape districts. Committed fund balance of \$8.6 million is for capital asset replacement. Assigned fund balance of \$800,857 is primarily for community center replacement. Unassigned fund balance of \$21 million is available for future appropriations.

The Housing Successor Fund ended the fiscal year with a fund balance of \$18.9 million. Restricted fund balance of \$805,093 is for affordable housing activities. Nonspendable fund balance of \$18.1 million is for notes and loans receivable.

The City's Capital Projects Fund ended the fiscal year with a fund balance of \$13.4 million, a decrease of \$173,941. Restricted fund balance of \$13.4 million is for impact fees.

**Proprietary Funds** – The City's Proprietary Funds (Enterprise and Internal Service Funds) presented in the Fund Financial Statements section basically provide the same type of information in the Government-wide Financial Statements, but include individual segment information.

The Water Utility Fund net position increased by \$5.2 million to \$39.2 million (net of related debt) for the fiscal year ended June 30, 2014. Of that amount, \$17.9 million is net investment in capital assets, \$5.2 million is restricted for debt service and \$16.1 million is unrestricted.

The Sewer Utility Fund net position increased by \$548,935 to \$16.4 million for the fiscal year ended June 30, 2014. Of that amount, \$13.5 million is net investment in capital assets and \$2.9 million is unrestricted and is available for the cost of operations and upgrading the City's sewer system.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The final budgeted resources and transfers in for the General Fund at fiscal year end were \$446,090 more than the original budget and total actual resources and transfers in were \$1.3 million more than the final budget.

The final appropriations for the General Fund at fiscal year end were \$3.5 million more than the original budget and total actual and transfers out were \$4.7 million less than the final budget. Several factors contributed to the final variance and are briefly summarized as follows:

### *Changes to Original Budget*

#### Resources (Inflows):

- The variance was primarily a combination of a \$1.1 million increase in taxes, a \$434,700 increase in charges for services and a decrease of \$1.1 million in miscellaneous revenues.

#### Changes to Appropriation (Outflows):

- The variance between original budget and final budget in Public Safety was primarily due to increased operational costs.

### *Variances with Final Budget*

#### Resources (Inflows):

- The variance between budgeted and actual for charges for services was \$1.2 million. This was primarily due to the increase in charges for services attributable to community services.

#### Charges to Appropriation (Outflows):

- The variance between budgeted and actual charges is \$4.7 million and was primarily due to the decrease in operational charges for Public Works of \$1.7 million, Public Safety of \$606,085, Management Services of \$553,304, Community Services of \$458,789 and additional variance spread over all remaining departments.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2014, amounts to \$237 million (net of accumulated depreciation). This investment in a broad range of capital assets includes land, structures and improvements, furniture, machinery and equipment, park facilities, roads, sidewalks, water system, storm drains, sound walls, and bridges. The total net decrease (including additions and deletions) of \$1.9 million represents a 0.8% decrease from last year.

**Table 7**  
**Capital Assets as of June 30, 2014**  
**(net of depreciation)**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 45,669	\$ 45,669	\$ 2,075	\$ 2,075	\$ 47,744	\$ 47,744
Structures and improvements	46,968	47,989	-	-	46,968	47,989
Equipment	6,156	6,992	1	7	6,157	6,999
Infrastructure	69,179	67,134	58,957	55,451	128,136	122,585
Construction-in-progress	3,708	4,667	4,296	8,885	8,004	13,552
<b>Totals</b>	<b>\$ 171,680</b>	<b>\$ 172,451</b>	<b>\$ 65,329</b>	<b>\$ 66,418</b>	<b>\$ 237,009</b>	<b>\$ 238,869</b>

The net decrease to construction-in-progress totaled \$5.5 million, as noted above. This was primarily due to the completion of various capital improvement projects.

As a reference, the following significant capital assets and infrastructure projects were completed in fiscal year 2013-14:

- Residential Streets Rehabilitation FY 2011-12
- Residential Streets Rehabilitation FY 2012-13
- Senior Center ADA Improvements
- City Yard Repaving
- Lambert Road Rehabilitation (Phase 1)
- Lambert Road Rehabilitation (Phase 2)
- Traffic Control Technology Improvement Program (Phase 1)

Additional information on the City's capital assets can be found in Note (6) of the Notes to the Financial Statements.

### Long-Term Debt

At the end of the current fiscal year, the City had total long-term debt outstanding for bonds and leases of \$42.3 million for all governmental and business-type activities.

**Table 8**  
**Outstanding Debt as of June 30, 2014**  
**Bonds and Capital Leases**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Lease revenue bonds	\$ 2,760	\$ 2,760	\$ -	\$ -	\$ 2,760	\$ 2,760
Water revenue bonds	-	-	35,350	36,325	35,350	36,325
Capital leases	4,169	4,660	-	-	4,169	4,660
<b>Totals</b>	<b>\$ 6,929</b>	<b>\$ 7,420</b>	<b>\$ 35,350</b>	<b>\$ 36,325</b>	<b>\$ 42,279</b>	<b>\$ 43,745</b>

Additional information on the City's long-term debt can be found in Note (7) of the Notes to the Financial Statements.

### **FACTORS EFFECTING NEXT YEAR'S BUDGET**

The Fiscal Year 2014-15 General Fund budgeted expenditures are relatively unchanged at \$50.8 million. This represents a \$9,880 increase in budgeted expenditures when compared to prior fiscal year. While acknowledging that the cost of materials, supplies and contract services do increase, overall department operating expenditures were held relatively flat or reduced in several areas.

A brief summary of the factors considered when preparing the fiscal year 2014-15 budget are as follows:

- Sales tax represents the single largest source of General Fund revenue, budgeted at \$20.9 million for fiscal year 2014-15. Based on economic data trends and projections, sales tax is projected to grow 5% for fiscal year 2014-15. Brea's sales tax on a per capita basis consistently outperforms other municipalities, a strong indicator that the City imports sales tax dollars from surrounding communities.
- General Fund property taxes are projected to be relatively flat and represent \$7 million of General Fund revenues.
- Due to pension reform within the City of Brea, employees will continue to contribute a greater percentage toward their retirement in accordance with provisions of memorandums of understandings (MOU's) effective July 1, 2014. Since July of 2011, all new full-time employees contribute 100% of the employee costs of retirement.
- Overall, Fiscal Year 2014-15 General Fund revenues are projected to be relatively stable in comparison to revenues in Fiscal Year 2013-14 due to a slow economic recovery.
- Uncertainty of the current State of California budget and the State's continued propensity to balance its budget on the backs of local government.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's Administrative Services Department, 1 Civic Center Circle, Brea, CA 92821, at (714) 990-7676.

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CITY OF BREA

STATEMENT OF NET POSITION  
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 43,665,722	\$ 6,238,404	\$ 49,904,126
Receivables:			
Accounts	1,014,992	3,991,873	5,006,865
Taxes	140,765	-	140,765
Notes and loans	20,943,649	-	20,943,649
Accrued interest	1,014,133	-	1,014,133
Internal balances	23,393,704	(23,393,704)	-
Due from other governments	6,059,473	237,576	6,297,049
Due from Successor Agency	375,562	-	375,562
Other investments	-	37,460,756	37,460,756
Restricted assets:			
Cash with fiscal agent	293,713	5,213,677	5,507,390
Capital assets not being depreciated	49,377,522	6,370,858	55,748,380
Capital assets, net of depreciation	122,302,211	58,958,142	181,260,353
<b>Total Assets</b>	<b>268,581,446</b>	<b>95,077,582</b>	<b>363,659,028</b>
<b>Deferred Outflows of Resources:</b>			
Deferred charge on refunding	-	1,146,628	1,146,628
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>1,146,628</b>	<b>1,146,628</b>
<b>Liabilities:</b>			
Accounts payable	2,523,366	3,344,629	5,867,995
Accrued liabilities	709,999	97,182	807,181
Accrued interest	114,155	1,008,838	1,122,993
Unearned revenue	781,387	-	781,387
Deposits	319,181	219,480	538,661
Due to other governments	1,892,346	-	1,892,346
Due to Successor Agency	844	-	844
Noncurrent liabilities:			
Due within one year	3,663,845	1,211,301	4,875,146
Due in more than one year	14,409,935	34,129,158	48,539,093
<b>Total Liabilities</b>	<b>24,415,058</b>	<b>40,010,588</b>	<b>64,425,646</b>
<b>Net Position:</b>			
Net investment in capital assets	164,750,324	31,396,904	196,147,228
Restricted for:			
Affordable housing	21,112,470	-	21,112,470
Public safety	1,713,664	-	1,713,664
Public works	3,160,681	-	3,160,681
Capital projects	22,138,348	-	22,138,348
Debt service	293,713	5,213,677	5,507,390
Unrestricted	30,997,188	19,603,041	50,600,229
<b>Total Net Position</b>	<b>\$ 244,166,388</b>	<b>\$ 56,213,622</b>	<b>\$ 300,380,010</b>

CITY OF BREA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 7,352,190	\$ 1,631,098	\$ 981,306	\$ -
Public safety	31,408,789	1,533,213	509,168	-
Community development	5,201,569	1,092,041	258,785	655,222
Community services	7,023,682	4,672,523	22,078	-
Public works	10,092,864	1,909,409	1,731,436	532,401
Interest on long-term debt	458,021	-	-	-
<b>Total Governmental Activities</b>	<b>61,537,115</b>	<b>10,838,284</b>	<b>3,502,773</b>	<b>1,187,623</b>
Business-Type Activities:				
Urban Runoff	310,717	380,256	-	-
Water Utility	16,048,442	18,813,373	-	1,209,000
Sewer Utility	1,525,820	2,136,760	-	-
Sanitation	2,849,515	3,317,183	11,371	-
Information Technology External Support	1,228,919	1,472,730	-	-
<b>Total Business-Type Activities</b>	<b>21,963,413</b>	<b>26,120,302</b>	<b>11,371</b>	<b>1,209,000</b>
<b>Total Primary Government</b>	<b>\$ 83,500,528</b>	<b>\$ 36,958,586</b>	<b>\$ 3,514,144</b>	<b>\$ 2,396,623</b>

**General Revenues:**

Taxes:

- Property taxes, levied for general purpose
- Transient occupancy taxes
- Sales taxes
- Franchise taxes
- Business licenses taxes
- Other taxes
- Motor vehicle in lieu - unrestricted
- Use of money and property
- Rental Income
- Other
- Gain (loss) on sale of capital asset

**Transfers**

**Total General Revenues and Transfers**

Change in Net Position

Net Position at Beginning of Year

**Net Position at End of Year**

<b>Net (Expenses) Revenues and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (4,739,786)	\$ -	\$ (4,739,786)
(29,366,408)	-	(29,366,408)
(3,195,521)	-	(3,195,521)
(2,329,081)	-	(2,329,081)
(5,919,618)	-	(5,919,618)
(458,021)	-	(458,021)
<b>(46,008,435)</b>	<b>-</b>	<b>(46,008,435)</b>
-	69,539	69,539
-	3,973,931	3,973,931
-	610,940	610,940
-	479,039	479,039
-	243,811	243,811
-	<b>5,377,260</b>	<b>5,377,260</b>
<b>(46,008,435)</b>	<b>5,377,260</b>	<b>(40,631,175)</b>
13,314,758	-	13,314,758
1,513,160	-	1,513,160
20,657,918	-	20,657,918
1,682,274	-	1,682,274
1,054,054	-	1,054,054
860,520	-	860,520
68,846	-	68,846
802,974	125,999	928,973
1,329,159	-	1,329,159
483,000	1,183,645	1,666,645
76,461	178,988	255,449
892,239	(892,239)	-
<b>42,735,363</b>	<b>596,393</b>	<b>43,331,756</b>
(3,273,072)	5,973,653	2,700,581
247,439,460	50,239,969	297,679,429
<b>\$ 244,166,388</b>	<b>\$ 56,213,622</b>	<b>\$ 300,380,010</b>

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## GOVERNMENTAL FUNDS

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### Major Funds

The **General Fund** is used to account for fiscal resources which are dedicated to governmental operations of the City, and not required to be accounted for in another fund.

The **Housing Successor Fund** is used to account for revenues received and expenditures made for affordable housing. The primary sources of revenue are from rental and lease of property owned by the former Brea Redevelopment Agency and loan repayments generated from the use of the former Agency's Low and Moderate Income Housing Funds.

The **Capital Projects Fund Capital Improvements** is used to account for the costs of constructing street improvements, parks and other public improvements not normally included within the other Capital Projects Funds. Financing is provided by Federal and State Grant Revenues and interfund transfers from the Special Revenue Funds and the General Fund.

### Non-Major Funds

Non-major governmental funds are those governmental funds which do not meet the criteria of a major fund. For reporting purposes in this section, they are combined together as Other Governmental Funds.

CITY OF BREA

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
		<u>Housing Successor</u>	<u>Capital Improvements</u>
<b>Assets:</b>			
Cash and investments	\$ 20,776,376	\$ 802,577	\$ 3,037,555
Receivables:			
Accounts	789,249	7,094	205,500
Taxes	136,883	-	-
Notes and loans	-	19,120,703	-
Interest	155,924	858,209	-
Due from other funds	8,611,503	-	11,000,000
Due from other governments	4,735,624	-	856,922
Due from Successor Agency	135,680	-	239,882
Advances to other funds	1,096,665	-	-
Restricted assets:			
Cash and investments with fiscal agents	293,713	-	-
<b>Total Assets</b>	<b><u>\$ 36,731,617</u></b>	<b><u>\$ 20,788,583</u></b>	<b><u>\$ 15,339,859</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,168,485	\$ -	\$ 1,025,907
Accrued liabilities	658,676	3,597	10,807
Unearned revenues	665,772	-	115,615
Deposits payable	318,264	917	-
Due to other funds	-	-	-
Due to other governments	137,400	-	-
Advances from other funds	-	-	-
Due to Successor Agency	780	64	-
<b>Total Liabilities</b>	<b><u>2,949,377</u></b>	<b><u>4,578</u></b>	<b><u>1,152,329</u></b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	1,027,357	1,834,860	806,647
<b>Total Deferred Inflows of Resources</b>	<b><u>1,027,357</u></b>	<b><u>1,834,860</u></b>	<b><u>806,647</u></b>
<b>Fund Balances:</b>			
Nonspendable	1,096,665	18,144,052	-
Restricted	1,161,494	805,093	13,380,883
Committed	8,649,210	-	-
Assigned	800,857	-	-
Unassigned	21,046,657	-	-
<b>Total Fund Balances</b>	<b><u>32,754,883</u></b>	<b><u>18,949,145</u></b>	<b><u>13,380,883</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 36,731,617</u></b>	<b><u>\$ 20,788,583</u></b>	<b><u>\$ 15,339,859</u></b>

CITY OF BREA

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>		
Cash and investments	\$ 14,479,350	\$ 39,095,858
Receivables:		
Accounts	-	1,001,843
Taxes	3,882	140,765
Notes and loans	1,822,946	20,943,649
Interest	-	1,014,133
Due from other funds	-	19,611,503
Due from other governments	462,527	6,055,073
Due from Successor Agency	-	375,562
Advances to other funds	-	1,096,665
Restricted assets:		
Cash and investments with fiscal agents	-	293,713
<b>Total Assets</b>	<b><u>\$ 16,768,705</u></b>	<b><u>\$ 89,628,764</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 55,069	\$ 2,249,461
Accrued liabilities	6,778	679,858
Unearned revenues	-	781,387
Deposits payable	-	319,181
Due to other funds	22,483	22,483
Due to other governments	1,754,946	1,892,346
Advances from other funds	36,210	36,210
Due to Successor Agency	-	844
<b>Total Liabilities</b>	<b><u>1,875,486</u></b>	<b><u>5,981,770</u></b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenues	55,836	3,724,700
<b>Total Deferred Inflows of Resources</b>	<b><u>55,836</u></b>	<b><u>3,724,700</u></b>
<b>Fund Balances:</b>		
Nonspendable	68,000	19,308,717
Restricted	14,859,354	30,206,824
Committed	-	8,649,210
Assigned	-	800,857
Unassigned	(89,971)	20,956,686
<b>Total Fund Balances</b>	<b><u>14,837,383</u></b>	<b><u>79,922,294</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 16,768,705</u></b>	<b><u>\$ 89,628,764</u></b>

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**CITY OF BREA**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

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Fund balances of governmental funds \$ 79,922,294

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets net of depreciation have not been included as financial resources in governmental fund activity.

Capital assets	\$ 264,056,659	
Accumulated depreciation	<u>(97,266,502)</u>	166,790,157

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds:

Lease revenue bonds long-term liabilities	(2,760,000)	
Capital leases payable	(3,540,000)	
Compensated absences	(2,516,515)	
Other post employment benefits obligation	<u>(4,263,288)</u>	(13,079,803)

Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds. (104,198)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 3,724,700

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position. 6,913,238

**Net position of governmental activities \$ 244,166,388**

CITY OF BREA

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

		<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
	<u>General</u>	<u>Housing Successor</u>	<u>Capital Improvements</u>
<b>Revenues:</b>			
Taxes	\$ 34,513,895	\$ -	\$ -
Licenses and permits	608,664	-	-
Intergovernmental	3,652,564	-	746,319
Charges for services	5,557,650	-	1,806,306
Investment income	400,472	7,664	160,356
Fines and forfeitures	852,821	-	-
Contributions	-	-	199,811
Rental income	1,750,275	148,887	-
Miscellaneous	2,774,949	37,197	-
<b>Total Revenues</b>	<b>50,111,290</b>	<b>193,748</b>	<b>2,912,792</b>
<b>Expenditures:</b>			
Current:			
General government	5,387,287	-	92,044
Public safety	30,906,551	-	-
Community development	2,228,842	2,861,188	-
Community services	6,450,201	-	-
Public works	4,715,202	-	852
Capital outlay	-	-	7,350,289
Debt service:			
Principal retirement	350,000	-	-
Interest and fiscal charges	439,402	-	-
<b>Total Expenditures</b>	<b>50,477,485</b>	<b>2,861,188</b>	<b>7,443,185</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(366,195)	(2,667,440)	(4,530,393)
<b>Other Financing Sources (Uses):</b>			
Transfers in	1,534,100	-	4,356,452
Transfers out	(668,635)	-	-
Sale of capital asset	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>865,465</b>	<b>-</b>	<b>4,356,452</b>
Net Change in Fund Balances	499,270	(2,667,440)	(173,941)
Fund Balances, Beginning of Year	32,255,613	21,616,585	13,554,824
<b>Fund Balances, End of Year</b>	<b>\$ 32,754,883</b>	<b>\$ 18,949,145</b>	<b>\$ 13,380,883</b>

CITY OF BREA

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>		
Taxes	\$ 1,107,224	\$ 35,621,119
Licenses and permits	-	608,664
Intergovernmental	1,522,315	5,921,198
Charges for services	52,323	7,416,279
Investment income	112,556	681,048
Fines and forfeitures	214,772	1,067,593
Contributions	-	199,811
Rental income	-	1,899,162
Miscellaneous	95,409	2,907,555
	<b>3,104,599</b>	<b>56,322,429</b>
<b>Expenditures:</b>		
Current:		
General government	520	5,479,851
Public safety	554,538	31,461,089
Community development	116,884	5,206,914
Community services	-	6,450,201
Public works	209,101	4,925,155
Capital outlay	-	7,350,289
Debt service:		
Principal retirement	-	350,000
Interest and fiscal charges	-	439,402
	<b>881,043</b>	<b>61,662,901</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,223,556	(5,340,472)
<b>Other Financing Sources (Uses):</b>		
Transfers in	-	5,890,552
Transfers out	(4,265,614)	(4,934,249)
Sale of capital asset	7,460	7,460
	<b>(4,258,154)</b>	<b>963,763</b>
Net Change in Fund Balances	(2,034,598)	(4,376,709)
Fund Balances, Beginning of Year	16,871,981	84,299,003
<b>Fund Balances, End of Year</b>	<b>\$ 14,837,383</b>	<b>\$ 79,922,294</b>

**CITY OF BREA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

---

Net change in fund balances - total governmental funds \$ (4,376,709)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 6,567,865	
Depreciation	(6,917,294)	
Disposals	<u>(13,357)</u>	(362,786)

The issuance of long-term debt (e.g., bonds, leases) provides current resources to governmental funds, while the repayment of long-term debt principal consumes the current financial resources of governmental funds. Issuance of bond principal is another financing source and repayment is an expenditure in the governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Capital leases principal payments 350,000

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 13,191

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 124,302

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense. (573,278)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 862,575

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. 689,633

**Change in net position of governmental activities \$ (3,273,072)**

## PROPRIETARY FUNDS

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### **Business-type Activities**

The ***Water Utility Fund*** is a Major Fund used to account for the operations of the City's water utility, which are operated in a manner similar to a private enterprise. The costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

The ***Sewer Utility Fund*** is a Major Fund used to account for the operations of the City's sewer distribution lines, which are operated in a manner similar to a private enterprise. The costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

### **Non-Major Funds**

Non-major proprietary funds are those proprietary funds which do not meet the criteria of a major fund. For reporting purposes in this section, they are combined together as Other Enterprise Funds.

### **Governmental Activities**

The ***Internal Service Funds*** are used to allocate the cost of providing goods and services by one department to other departments on a cost reimbursement basis.

## CITY OF BREA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities- Internal Service Funds
	Water Utility	Sewer Utility	Other Enterprise Funds		
<b>Assets:</b>					
Current:					
Cash and investments	\$ 4,207,364	\$ 1,210,308	\$ 820,732	\$ 6,238,404	\$ 4,569,864
Receivables:					
Accounts receivable	3,038,818	321,598	631,457	3,991,873	13,149
Due from other governments	-	-	237,576	237,576	4,400
Due from other funds	-	1,443,520	-	1,443,520	-
Restricted:					
Cash and investments with fiscal agent	5,213,677	-	-	5,213,677	-
<b>Total Current Assets</b>	<b>12,459,859</b>	<b>2,975,426</b>	<b>1,689,765</b>	<b>17,125,050</b>	<b>4,587,413</b>
Noncurrent:					
Capital assets - net of accumulated depreciation	51,853,769	13,465,703	9,528	65,329,000	4,889,576
Other investments	37,460,756	-	-	37,460,756	-
Advances to other funds	-	-	-	-	2,583,621
<b>Total Noncurrent Assets</b>	<b>89,314,525</b>	<b>13,465,703</b>	<b>9,528</b>	<b>102,789,756</b>	<b>7,473,197</b>
<b>Total Assets</b>	<b>101,774,384</b>	<b>16,441,129</b>	<b>1,699,293</b>	<b>119,914,806</b>	<b>12,060,610</b>
<b>Deferred Outflows of Resources:</b>					
Deferred charge on refunding	1,146,628	-	-	1,146,628	-
<b>Total Deferred Outflows of Resources</b>	<b>1,146,628</b>	<b>-</b>	<b>-</b>	<b>1,146,628</b>	<b>-</b>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Current:					
Accounts payable	3,141,460	8,545	194,624	3,344,629	273,905
Accrued liabilities	46,243	16,960	33,979	97,182	30,141
Accrued interest	1,008,838	-	-	1,008,838	9,957
Deposits payable	219,480	-	-	219,480	-
Due to other funds	20,443,520	-	589,020	21,032,540	-
Accrued compensated absences, due within one year	95,822	25,852	74,627	196,301	61,621
Accrued claims and judgments, due within one year	-	-	-	-	1,198,119
Bonds, notes, and capital leases, due within one year	1,015,000	-	-	1,015,000	146,719
<b>Total Current Liabilities</b>	<b>25,970,363</b>	<b>51,357</b>	<b>892,250</b>	<b>26,913,970</b>	<b>1,720,462</b>
Noncurrent:					
Advances from other funds	3,644,076	-	-	3,644,076	-
Accrued compensated absences, due in more than one year	31,941	8,617	24,876	65,434	20,540
Accrued claims and judgments, due in more than one year	-	-	-	-	3,084,288
Bonds, notes, and capital leases, due in more than one year	34,063,724	-	-	34,063,724	482,690
<b>Total Noncurrent Liabilities</b>	<b>37,739,741</b>	<b>8,617</b>	<b>24,876</b>	<b>37,773,234</b>	<b>3,587,518</b>
<b>Total Liabilities</b>	<b>63,710,104</b>	<b>59,974</b>	<b>917,126</b>	<b>64,687,204</b>	<b>5,307,980</b>
<b>Net Position:</b>					
Net investment in capital assets	17,921,673	13,465,703	9,528	31,396,904	4,260,167
Restricted for debt service	5,213,677	-	-	5,213,677	-
Unrestricted	16,075,558	2,915,452	772,639	19,763,649	2,492,463
<b>Total Net Position</b>	<b>\$ 39,210,908</b>	<b>\$ 16,381,155</b>	<b>\$ 782,167</b>	<b>\$ 56,374,230</b>	<b>\$ 6,752,630</b>
<b>Reconciliation of Net Position to the Statement of Net Position</b>					
Net Position per Statement of Net Position - Proprietary Funds				\$ 56,374,230	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds				(236,117)	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds				75,509	
<b>Net Position per Statement of Net Position</b>				<b>\$ 56,213,622</b>	

CITY OF BREA

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities- Internal Service Funds
	Water Utility	Sewer Utility	Other Enterprise Funds		
<b>Operating Revenues:</b>					
Charges for services	\$ 17,153,833	\$ 2,053,869	\$ 5,053,690	\$ 24,261,392	\$ 7,390,234
Connection fees	703,472	82,891	-	786,363	-
Miscellaneous	956,068	-	116,479	1,072,547	127,027
<b>Total Operating Revenues</b>	<b>18,813,373</b>	<b>2,136,760</b>	<b>5,170,169</b>	<b>26,120,302</b>	<b>7,517,261</b>
<b>Operating Expenses:</b>					
Personnel services	2,954,785	935,268	1,784,604	5,674,657	1,390,655
Maintenance and operation	1,351,862	212,222	2,631,166	4,195,250	4,028,024
Cost of purchased water	7,567,347	-	-	7,567,347	-
Claims and judgements	-	-	-	-	661,661
Depreciation expense	2,021,787	390,467	2,013	2,414,267	755,245
<b>Total Operating Expenses</b>	<b>13,895,781</b>	<b>1,537,957</b>	<b>4,417,783</b>	<b>19,851,521</b>	<b>6,835,585</b>
Operating Income (Loss)	4,917,592	598,803	752,386	6,268,781	681,676
<b>Nonoperating Revenues (Expenses):</b>					
Federal interest subsidy on debt	489,429	-	-	489,429	-
Intergovernmental	-	-	11,371	11,371	69,290
Interest revenue	94,935	29,655	1,409	125,999	50,609
Interest expense	(2,187,401)	-	-	(2,187,401)	(31,810)
Contributions	1,209,000	-	-	1,209,000	-
Gain on other investments	694,216	-	-	694,216	-
Gain (loss) on disposal of capital assets	178,988	-	-	178,988	59,441
<b>Total Nonoperating Revenues (Expenses)</b>	<b>479,167</b>	<b>29,655</b>	<b>12,780</b>	<b>521,602</b>	<b>147,530</b>
Income (Loss) Before Transfers	5,396,759	628,458	765,166	6,790,383	829,206
Transfers in	-	-	-	-	302,000
Transfers out	(183,667)	(79,523)	(629,049)	(892,239)	(366,064)
Changes in Net Position	5,213,092	548,935	136,117	5,898,144	765,142
<b>Net Position:</b>					
Beginning of year	33,997,816	15,832,220	646,050	50,476,086	5,987,488
<b>End of Fiscal Year</b>	<b>\$ 39,210,908</b>	<b>\$ 16,381,155</b>	<b>\$ 782,167</b>	<b>\$ 56,374,230</b>	<b>\$ 6,752,630</b>
<b>Reconciliation of Changes in Net Position to the Statement of Activities:</b>					
Changes in Net Position, per the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds				\$ 5,898,144	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds				75,509	
<b>Changes in Net Position of Business-Type Activities per Statement of Activities</b>				<b>\$ 5,973,653</b>	

## CITY OF BREA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities- Internal Service Funds
	Water Utility	Sewer Utility	Other Enterprise Funds		
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers and users	\$ 20,267,879	\$ 2,132,857	\$ 5,146,108	\$ 27,546,844	\$ 7,677,916
Cash paid to suppliers for goods and services	(8,673,997)	(208,806)	(2,627,426)	(11,510,229)	(5,045,397)
Cash paid to employees for services	(2,893,823)	(927,270)	(1,790,162)	(5,611,255)	(2,035,415)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>8,700,059</b>	<b>996,781</b>	<b>728,520</b>	<b>10,425,360</b>	<b>597,104</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Cash transfers out for noncapital financing activities	(183,667)	(79,523)	(629,049)	(892,239)	(366,064)
Cash transfers in for noncapital financing activities	-	-	-	-	302,000
Repayment received from other other funds	20,443,520	-	17,420	20,460,940	-
Advances received from other funds	-	-	-	-	568,166
Advances repaid to other funds	(801,372)	-	-	(801,372)	-
Grant subsidy	-	-	11,371	11,371	69,290
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>19,947,910</b>	<b>(1,523,043)</b>	<b>(600,258)</b>	<b>17,824,609</b>	<b>573,392</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	(739,309)	(585,866)	-	(1,325,175)	(349,485)
Proceeds from sales of capital assets	178,988	-	-	178,988	62,380
Principal paid on capital debt	(975,000)	-	-	(975,000)	(140,155)
Interest paid on capital debt	(2,045,778)	-	-	(2,045,778)	(34,027)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(3,581,099)</b>	<b>(585,866)</b>	<b>-</b>	<b>(4,166,965)</b>	<b>(461,287)</b>
<b>Cash Flows from Investing Activities:</b>					
Purchase of other investments	(23,931,020)	-	-	(23,931,020)	-
Interest received	94,935	29,655	1,409	125,999	50,609
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(23,836,085)</b>	<b>29,655</b>	<b>1,409</b>	<b>(23,805,021)</b>	<b>50,609</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,230,785</b>	<b>(1,082,473)</b>	<b>129,671</b>	<b>277,983</b>	<b>759,818</b>
Cash and Cash Equivalents at Beginning of Year	8,190,256	2,292,781	691,061	11,174,098	3,810,046
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 9,421,041</b>	<b>\$ 1,210,308</b>	<b>\$ 820,732</b>	<b>\$ 11,452,081</b>	<b>\$ 4,569,864</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ 4,917,592	\$ 598,803	\$ 752,386	\$ 6,268,781	\$ 681,676
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>					
Depreciation	2,021,787	390,467	2,013	2,414,267	755,245
(Increase) decrease in accounts receivable	300,028	(3,903)	6,544	302,669	36,940
(Increase) decrease in deposits receivable	1,133,328	-	-	1,133,328	-
(Increase) decrease in due from other governments	-	-	(30,605)	(30,605)	123,715
Increase (decrease) in accounts payable	245,212	3,416	3,740	252,368	(232,334)
Increase (decrease) in accrued liabilities	8,189	3,604	1,273	13,066	4,052
Increase (decrease) in deposits payable	21,150	-	-	21,150	-
Increase (decrease) in claims and judgments	-	-	-	-	(789,091)
Increase (decrease) in compensated absences	52,773	4,394	(6,831)	50,336	16,901
<b>Total Adjustments</b>	<b>3,782,467</b>	<b>397,978</b>	<b>(23,866)</b>	<b>4,156,579</b>	<b>(84,572)</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 8,700,059</b>	<b>\$ 996,781</b>	<b>\$ 728,520</b>	<b>\$ 10,425,360</b>	<b>\$ 597,104</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>					
Amortization of bond discount and premium	\$ (9,831)	\$ -	\$ -	\$ (9,831)	\$ -
Amortization of loss on refunding	163,804	-	-	163,804	-
Contributed common stock	1,209,000	-	-	1,209,000	-
Gain on other investments	694,216	-	-	694,216	-

## FIDUCIARY FUNDS

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**Agency Funds**, a type of Fiduciary Fund, are used to account for assets held by the City as an agent for other governmental entities, private organizations, or individuals.

**Private-Purpose Trust Fund**, a type of Fiduciary Fund, is used to account for assets held by the City as Successor Agency of the former Brea Redevelopment Agency.

CITY OF BREA

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2014

	<u>Agency Funds</u>	<u>Private- Purpose Trust Fund Successor Agency of the Former RDA</u>
<b>Assets:</b>		
Cash and investments	\$ 4,467,276	\$ 2,890,457
Receivables:		
Accounts	55,478	-
Taxes	10,713	-
Accrued interest	-	132,110
Deferred loans	-	2,652,069
Due from other governments	635,580	426,000
Land held for resale	-	2,244,117
Prepaid insurance	-	230,400
Restricted assets:		
Cash and investments with fiscal agents	1,452,150	33,925,905
<b>Total Assets</b>	<b><u>\$ 6,621,197</u></b>	<b><u>42,501,058</u></b>
<b>Deferred Outflows of Resources:</b>		
Deferred charge on refunding		1,716,329
<b>Total Deferred Outflows of Resources</b>		<b><u>1,716,329</u></b>
<b>Liabilities:</b>		
Accounts payable	\$ 675,974	2,725
Accrued liabilities	795,910	-
Accrued interest	-	3,758,922
Deposits payable	262,077	-
Due to other governments	30,572	-
Due to City	-	374,718
Due to external parties/other agencies	4,856,664	-
Long-term liabilities:		
Due in one year	-	10,242,816
Due in more than one year	-	181,578,031
<b>Total Liabilities</b>	<b><u>\$ 6,621,197</u></b>	<b><u>195,957,212</u></b>
<b>Net Position:</b>		
Held in trust for other purposes		(151,739,825)
<b>Total Net Position</b>		<b><u>\$(151,739,825)</u></b>

CITY OF BREA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2014

	<u>Private- Purpose Trust Fund Successor Agency of the Former RDA</u>
<b>Additions:</b>	
Taxes	\$ 18,699,064
Interest and change in fair value of investments	137,257
Rental income	153,369
Miscellaneous	<u>505,348</u>
<b>Total Additions</b>	<b><u>19,495,038</u></b>
<b>Deductions:</b>	
Administrative expenses	735,248
Contractual services	94,270
Interest expense	8,190,868
Contributions to other governments	1,263,347
Project expenditures	<u>526,213</u>
<b>Total Deductions</b>	<b><u>10,809,946</u></b>
<b>Changes in Net Position</b>	<b>8,685,092</b>
<b>Net Position:</b>	
Beginning of the year	<u>(160,424,917)</u>
<b>End of the Year</b>	<b><u><u>\$ (151,739,825)</u></u></b>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 1: Summary of Significant Accounting Policies**

The financial statements of the City of Brea, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City of Brea are described below.

**a. Description of the Reporting Entity**

The City of Brea was incorporated on February 23, 1917, under the general laws of the State of California. The City operates under the Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, cultural recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Brea and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Based upon the above criteria, the component units of the City are the Brea Public Financing Authority and the Midbury Assessment Authority.

Since City Council serves as the governing board for these component units, all of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance, part of the City's operations, so data from these units is combined therein. A brief description of each component unit follows:

**City of Brea Public Financing Authority**

The City of Brea Public Financing Authority was created by a joint exercise of joint powers agreement between the City of Brea and the former Redevelopment Agency of the City of Brea on November 17, 1987. In April 1988, the Brea-Olinda Unified School District became an associate member of the Authority. The purpose of the Authority is to provide, through the issuance of debt, financing necessary for various capital improvements. The Authority is administered by the Board who are the members of the City Council and the Mayor. The Authority's primary source of income will be installment sale, loan and lease payments received from the City and

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

the Successor Agency to the former Brea Redevelopment Agency, which will be used to meet the debt service requirements on debt issues. The Authority does not have taxing power.

The Brea Public Financing Authority issues separate component unit financial statements. Upon completion, these component unit financial statements can be obtained at City Hall.

**Midbury Assessment Authority**

The Midbury Assessment Authority was created by a joint exercise of joint powers agreement between the City of Brea, Los Angeles County, and Orange County on May 18, 1999. The purpose of the authority is to provide a means for each party to the agreement to contribute money to street improvement projects, to form an assessment district and to levy an assessment to finance the balance of the projects. The Authority is administered by the Board who are the members of the City Council and the Mayor. The Authority's primary source of income will be from new assessments that result in additional taxes. Separate financial statements are not prepared for the Midbury Assessment Authority.

**b. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**c. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of sales tax revenue, which are considered available if collected within 90 days of year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City's fiduciary funds consist of agency funds and a private purpose trust fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Private purpose trust funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. 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 the liability is incurred.

The City reports the following major governmental funds:

- The **General Fund** is the City's primary operating fund. It accounts for all general revenues of the City not specifically levied or collected for other City funds, and for expenditures related to the rendering of general services by the City. The General Fund is used to account for all resources not required to be accounted for in another fund.
- The **Housing Successor Special Revenue Fund** accounts for the housing assets as a result of the dissolution of the former Brea Redevelopment Agency. Resources generated from these assets are to be used for low to moderate income housing purposes.
- The **Capital Improvements Capital Projects Fund** accounts for the costs of constructing street improvements, parks and other public improvements not normally included within the other Capital Projects Funds. Financing is provided by federal, state and county grant revenues and interfund transfers from the General Fund, and Special Revenue Funds.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

The City reports the following major proprietary funds:

- The **Water Utility Fund** accounts for the City's water utility operations, which are financed and operated in a manner similar to a private enterprise. The cost (expenses, including depreciation) of providing these services to the general public on a continuing basis is financed or recovered primarily through user charges.
- The **Sewer Utility Fund** accounts for the operations of the City's sewer distribution lines, which are operated in a manner similar to a private enterprise. The costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

Additionally, the City reports the following fund types:

- **Internal Service Funds** account for financial transactions related to repairs, replacement, and maintenance of City-owned buildings and vehicles and to account for the City's self-insurance programs. These services are provided to other departments or agencies of the City on a cost reimbursement basis.
- **Agency Funds** account for assets held by the City in a custodial capacity as a trustee or as an agent. These assets include deposits from assessment district's property owners. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- **Private-Purpose Trust Fund** accounts for the assets and liabilities of the former redevelopment agency and the allocated revenue to pay estimated installment payments of enforceable obligations until the obligations of the former redevelopment agency are paid in full and assets have been liquidated.

The City adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which established accounting and financial reporting standards for financial statements of state and local governments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Residual net position balances in internal service funds are allocated back to the governmental and enterprise funds that they originally charged.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish 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.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

The principal operating revenues of the Enterprise Funds and of the Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprises Funds and Internal Service 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.

**d. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position**

**Cash and Investments**

Cash includes demand deposits, certificates of deposits and savings account balances. The California Government Code and the City of Brea's investment policy permit the City of Brea to invest in various instruments and pools. Investments are reported in the accompanying balance sheet at fair value, except for investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

The City reports its investments at fair value in the balance sheet according to GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Interest earnings, realized gains and losses and, changes in the fair value of investments are recognized as revenue from the use of money and property in the operating statement.

The City pools cash and investments of all funds except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds' share in the cash and investment pool of the City of Brea. Cash equivalents have an original maturity date of three months or less from the date of purchase. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash.

**Restricted Cash and Investments**

Certain proceeds of debt issues, 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. In addition, funds have been restricted for future capital improvements by City resolution.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (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." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The amounts recorded as a receivable due from other governments include sales taxes, property taxes and grant revenues collected or provided by federal, state, County and City governments and unremitted to the City as of June 30, 2014. The County of Orange assesses bills and collects property taxes for the City.

All trade and tax receivables are shown net of an allowance for uncollectibles.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Inventories**

Inventories of materials and supplies are carried at cost. The City records inventory using a first-in-first-out (FIFO) basis and the consumption method.

**Land Held for Resale**

The former Brea Redevelopment Agency has acquired land as part of its primary purpose to develop blighted properties. The Successor Agency to the former Brea Redevelopment Agency records these parcels as land held for resale in its financial statements. The property is being carried at cost or, if lower, the estimated net realizable value upon entering into an agreement to sell the property. Values recorded on the balance sheet are net of allowances for decline in value.

**Capital Assets**

Capital assets, which include property, plant, equipment, intangible assets and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$3,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets, once determined that they are not ordinary maintenance, are capitalized in their entirety and do not have a set capitalization threshold. The City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant and equipment of the primary government and its component units are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Structures and improvements	30 - 50
Equipment	5 - 10
Infrastructure	50 - 99

**Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the proprietary statement of net position and the statement of fiduciary net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

**Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick benefits. Permanent City employees earn from 10 to 20 vacation days a year, depending upon their length of employment, and 12 sick days a year. Employees can carry forward unused sick leave indefinitely. Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave. Any unused sick leave is forfeited upon termination of employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**Long-Term Obligations**

In the government-wide financial statements, proprietary fund types in the fund financial statements and in the fiduciary financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund type statement of net position, or the statement of fiduciary net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 issuances are reported as other financing uses.

**Claims and Judgments**

The City records a liability for litigation, judgments and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the Internal Service Funds that account for the City's self-insurance activities.

**Fund Balances**

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable Fund Balance – This amount indicates the portion of funds balances which cannot be spent because they are either not in spendable form, such as prepaid items, inventories, land held for resale or loans/notes receivable, or legally or contractually required to be maintained intact, such as the principal portion of an endowment.

Restricted Fund Balance – This amount indicates the portion of fund balances which has been restricted a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – This amount indicates the portion of fund balances which can only be used for specific purposes pursuant to formal resolution of the City Council.

Assigned Fund Balance – This amount indicates the portion of fund balances which is constrained by the City's intent to be used for specific purpose, but is neither restricted nor committed. The Administrative Services Director is authorized to determine and define the amount of assigned fund balances, which was established by City Council through resolution.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

Unassigned Fund Balance – This amount indicates the portion of fund balances that do not fall into one of the above categories.

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to the adoption of a resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the adoption of another resolution. City Council action to commit fund balance needs to occur within the fiscal reporting period; however the amount can be determined subsequently.

**Fund balance flow assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Net Position**

In the governmental-wide financial statements and proprietary fund financial statements, net position are classified as follows:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position."

**Net position flow assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**e. Property Tax**

Property tax revenue is recognized on the modified accrual basis, that is, in the fiscal year for which the taxes have been levied providing they become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County of Orange collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January the preceding fiscal year for which the taxes are levied. Taxes are levied on both real and personal property, as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31.

**f. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2: Cash and Investments**

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

	Statement of Net Position	Statement of Fiduciary Net Position	Total
Cash and Investments	\$ 49,904,126	7,357,733	\$ 57,261,859
Restricted assets:			
Cash and Investments with Fiscal Agents	5,507,390	35,378,055	40,885,445
Total Cash and Investments	<u>\$ 55,411,516</u>	<u>42,735,788</u>	<u>\$ 98,147,304</u>

Cash and investments as of June 30, 2014, consist of the following:

Cash on Hand	\$ 9,906
Deposits with Financial Institutions	4,660,841
Investments	52,591,112
Cash and Investments with Fiscal Agent	<u>40,885,445</u>
Total Cash and Investments	<u>\$ 98,147,304</u>

The City of Brea maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 2: Cash and Investments (Continued)**

**a. Cash Deposits**

The carrying amount of the City's cash deposits was \$4,660,841 at June 30, 2014. Bank balances were \$5,210,390 at that date. The \$549,549 difference represents outstanding checks and other reconciling items. The total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below:

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure a City's deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

**b. Investments**

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

Under provision of the City's investment policy, and in accordance with the California Government Code, the following investments are authorized:

Funds of the City, other than bond proceeds held in restricted accounts, may be invested in any instrument allowable under current legislation of the State of California (Government Code Section 53600 et sec.) so long as the investment is appropriate and consistent with its Investment Policy taking into consideration the City's investment objectives. Investment instruments may include:

- U.S. Treasury Obligations (Bills, Notes and Bonds)
- U.S. Government Agency Securities and Instrumentalities of Government Sponsored Corporations, including a maximum of 5% in callable bonds issued by such agencies
- Banker's Acceptances
- Commercial Paper
- Repurchase Agreements
- Certificates of Deposit
- Negotiable Certificates of Deposit
- Passbook Savings Accounts

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 2: Cash and Investments (Continued)**

- Interest Bearing Investment Accounts
- Medium Term Corporate Notes
- Bank Money Market Accounts
- Local Agency Investment Fund (State Pool)
- County of Orange Investment Fund (County Pool)
- Other investments that are, or may become, legal investments through the State of California Government Code
- Water rights/preferred stock/common stock of a private mutual water company

Provisions of Government Code Section 53601 are to be adhered to at all times. This includes, but is not limited to, the following restrictions:

- Bankers Acceptances cannot exceed 40% of the portfolio nor exceed 180 days;
- Commercial Paper cannot exceed 25% of the portfolio. Commercial Paper must be rated P-1 (Moody's), A-1 (Standard & Poor's) and cannot exceed 270 days;
- Money Market Funds cannot exceed 20% of the portfolio;
- Medium Term Corporate Notes cannot exceed 30% of the portfolio and must carry a minimum A rating;
- Pass-through securities including Collateralized Mortgage Obligations cannot exceed 20% of the portfolio and must pass the Federal Financial Institution Examination Council (FFIEC) liquidity test;
- Additionally, the City will use the guidelines established by the joint committee of the California Municipal Treasurers Association and the California Society of Municipal Finance Officers as the basis for investing in government investment pools.

For purposes of complying with legal investment limitations, the percentage referenced in the preceding paragraph refers to the maturity value of the portfolio at the time of purchase.

Prohibited Investments

The City does not invest any funds in derivatives, inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages. The City does not invest any funds in any security that could result in a zero interest accrual if held to maturity.

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City's investment policy.

Investments in State Investment Pool

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

**Note 2: Cash and Investments (Continued)**

GASB Statement No. 31

The City adopted GASB Statement No. 31, *Accounting and Financial Reporting for certain investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

**c. Risk Disclosures**

Disclosures Relating to Credit Risk

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

Investment Type	Minimum legal rating	Not Rated	Rating as of Year-End		Total Market Value
			AAA	AA	
U.S. Treasury obligations	N/A	\$ -	\$ 9,896,710	\$ -	\$ 9,896,710
U.S. government sponsored enterprise securities	N/A	-	-	17,306,749	17,306,749
Corporate bonds	A	-	-	14,921,150	14,921,150
Money market mutual funds	N/A	54,471	-	-	54,471
California local agency investment fund	N/A	10,412,032	-	-	10,412,032
Cash and investments with fiscal agents:					
Money market mutual funds	N/A	31,335,227	-	-	31,335,227
U.S. Treasury obligations	N/A	-	2,248,760	-	2,248,760
U.S. government sponsored enterprise securities	N/A	-	-	7,301,458	7,301,458
Total		<u>\$ 41,801,730</u>	<u>\$ 12,145,470</u>	<u>\$ 39,529,357</u>	<u>\$ 93,476,557</u>

Custodial Credit Risk

The 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 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 to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The City uses a third party investment manager to manage their investments. The third party investment manager has authority from City Council to execute purchases and sales of investments according to the parameters in their investment policy without the approval of management.

**CITY OF BREA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

**Note 2: Cash and Investments (Continued)**

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer. In addition, GASB 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value.

Investments in any one issuer that represents 5% or more of the total City's investments are as follows:

Issuer	Investment Type	Amount
FHLB	U.S. Government Sponsored Enterprise Securities	\$ 6,613,809
FHLMC	U.S. Government Sponsored Enterprise Securities	7,200,120
FNMA	U.S. Government Sponsored Enterprise Securities	7,133,874

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that at least 25% of the City's portfolio will mature in one year or less. The only exception to these maturity limits will be the investment for the bond proceeds for the Reserve Fund, and funded/ capitalized interest fund. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2014, the City had the following investments and original maturities:

	Investment Maturities (in Years)			Total Market Value
	12 months or less	13 to 24 Months	25 to 60 Months	
U.S. Treasury obligations	\$ 624,945	\$ 759,262	\$ 8,512,503	\$ 9,896,710
U.S. government sponsored enterprise securities	2,139,396	2,609,989	12,557,364	17,306,749
Corporate bonds	6,079,906	1,207,754	7,633,490	14,921,150
Money market mutual funds	54,471	-	-	54,471
California local agency investment fund	10,412,032	-	-	10,412,032
Cash and investments with fiscal agents:				
Money market mutual funds	31,335,227	-	-	31,335,227
U.S. Treasury obligations	-	-	2,248,760	2,248,760
U.S. government sponsored enterprise securities	-	-	7,301,458	7,301,458
	<u>\$ 50,645,977</u>	<u>\$ 4,577,005</u>	<u>\$ 38,253,575</u>	<u>\$ 93,476,557</u>

**Note 3: Other Investments**

At June 30, 2014, the City holds 2,190.55 shares of Class A Preferred Stock in California Domestic Water Company valued at cost of \$32,375,424. In addition, the City holds 1,811.50 shares of Common Stock in California Domestic Water Company valued under the equity method at \$5,085,332. The City's total investment in California Domestic Water Company amounts to \$37,460,756 at June 30, 2014. The investments were made to secure water supply for the City of Brea.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 4: Notes, Loans, and Deferred Loans Receivable**

Notes and loans receivable consist of rehabilitation loans made from Community Development Block Grant ("CDBG") and HOME grant funds to low income individuals that need assistance in rehabilitating their homes or mobile homes to meet current code standards. Amounts are due from the proceeds only upon the sale or transfer of the property. Loans made to mobile home owners are forgiven if the owner lives in the property 5 years or more. Repayments received by the City from homeowners are paid to the County. Thus, the City has offset the notes and loans receivable balance with a liability due to other governments on the accompanying balance sheet. Notes and loans receivable from each of these funds are comprised of the following at June 30, 2014:

CDBG Grant funds	\$ 1,719,705
HOME Grant funds	35,241
Total notes and loans receivable	<u>\$ 1,754,946</u>

The City (through the former redevelopment agency) has made long term loans to various developers and organizations to stimulate low and moderate income housing projects and to low or moderate income individuals to rehabilitate their homes to meet current code standards or to assist them in purchasing a home. Some assistance given gave the City rights to receive "silent seconds" on property when sold to a low and moderate income individual. These "silent seconds" gave the City the right to a portion of the proceeds from the sale of the property. In these cases, if the property has been sold by the developer, the Successor Agency has recorded their portion of the proceeds as notes receivable and deferred revenue. Collection terms of these loans vary and range from 5 years to 55 years. The majority of loans made to developers will be repaid from residual receipts and from monies earned on the property once they are built. Home buyer assistance loans begin repayment after 5 years and will be repaid over a 30 year period. For the remainder of loans and notes receivable, the Agency has classified fund balance as "nonspendable" indicating that these resources are not current available resources.

The outstanding balance of these notes and loans are reported in the Housing Successor Fund and are comprised of the following at June 30, 2014:

Home Buyer Assistance Loans	\$ 5,758,624
Rehabilitation Loans	214,079
Developer/ Organization Loans:	
Acacia Apartments	1,550,000
Birch Hills Affordable Apartments	4,750,000
Bonterra Apartments	1,200,000
Imperial Apartments	2,853,000
La Habra Housing	637,000
South Walnut Bungalows	826,000
Olen Point Apartments	1,332,000
Total notes, loans and deferred loans receivable	<u>\$ 19,120,703</u>

The City made loans funded under its Homebuyer Assistance Program for the Summerwind residential development. The balance at June 30, 2014, amounts to \$68,000.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

**Note 5: Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of June 30, 2014, is as follows:

**Due To/From Other Funds**

Due To Other Funds	Due From Other Funds			Total
	General Fund	Capital Improvements Fund	Sewer Utility Fund	
Other Governmental Funds	\$ 22,483	\$ -	\$ -	\$ 22,483
Water Utility Fund	8,000,000	11,000,000	1,443,520	20,443,520
Other Enterprise Funds	589,020	-	-	589,020
<b>Total</b>	<b>\$ 8,611,503</b>	<b>\$ 11,000,000</b>	<b>\$ 1,443,520</b>	<b>\$ 21,055,023</b>

During the fiscal year, the General Fund, the Capital Improvements Fund and the Sewer Utility Fund made short-term loans in the amount of \$8,000,000, \$11,000,000 and \$1,443,520 respectively to the Water Utility Fund for the purchase of shares of stock in California Domestic Water Company. These loans will be repaid by issuance of Water Revenue Bonds, see Note 16 for more information.

The other interfund balances were a result of routine transactions not cleared prior to the end of the fiscal year.

**Advances To/From Other Funds**

Advances To Other Funds	Advances from Other Funds		Total
	Water Utility Fund	Other Governmental Funds	
General Fund	\$ 1,060,455	\$ 36,210	\$ 1,096,665
Internal Service Funds	2,583,621	-	2,583,621
<b>Total</b>	<b>\$ 3,644,076</b>	<b>\$ 36,210</b>	<b>\$ 3,680,286</b>

The General Fund and the Internal Service Funds advanced \$3,644,076 to the Water Utility Fund in order to purchase water rights.

The General Fund advanced Other Governmental Funds \$36,210 to fund street improvements.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

**Note 5: Interfund Receivables, Payables and Transfers**

**Transfers In/Out from Other Funds**

Transfers Out:	Transfers In:			
	General Fund	Capital Improvements	Internal Service Funds	Total Transfers In
Governmental Activities				
General Fund	\$ -	\$ 366,635	\$ 302,000	\$ 668,635
Other Governmental Funds	593,000	3,672,614	-	4,265,614
Internal Service Funds	310,000	56,064	-	366,064
Business-type Activities				
Water Utility	5,000	178,667	-	183,667
Sewer Utility	5,000	74,523	-	79,523
Other Enterprise Funds	621,100	7,949	-	629,049
Total Transfers Out	<u>\$ 1,534,100</u>	<u>\$ 4,356,452</u>	<u>\$ 302,000</u>	<u>\$ 6,192,552</u>

- a. The General Fund transferred \$366,635 to the Capital Improvements Fund for reimbursement of capital improvement program projects.
- b. The General Fund transferred \$302,000 to the Internal Service Funds for risk management purposes.
- c. Other Non-major Governmental Funds transferred \$593,000 to the General Fund for general purposes.
- d. Other Non-major Governmental Funds transferred \$3,672,614 to the Capital Improvements Fund for reimbursement of capital improvement program projects.
- e. The Internal Service Funds transferred \$310,000 to the General Fund for general purposes.
- f. The Internal Service Funds transferred \$56,064 to the Capital Improvements Fund for reimbursement of capital improvement program projects.
- g. The Water Utility Fund transferred \$5,000 to the General Fund for general purposes.
- h. The Water Utility Fund transferred \$178,667 to reimburse the Capital Improvements Fund for capital improvement program projects that are not subject to being capitalized.
- i. The Sewer Utility Fund transferred \$5,000 to the General Fund for general purposes.
- j. The Sewer Utility Fund transferred \$74,523 to reimburse the Capital Improvements Fund for capital improvement program projects that are not subject to being capitalized.
- k. The Other Enterprise Funds transferred \$621,100 to the General Fund which the majority of this transfer was from the Sanitation Fund for franchise fees collected from our contract refuse hauling company.
- l. The Other Enterprise Funds transferred \$7,949 to reimburse the Capital Improvements Fund for capital improvement program projects that are not subject to being capitalized.

**CITY OF BREA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

**Note 6: Capital Assets**

Summary of changes in capital assets for the governmental activities for the year ended June 30, 2014, is as follows:

	Beginning Balance	Transfers	Additions	Disposals	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 45,669,235	\$ -	\$ -	\$ -	\$ 45,669,235
Construction-in-progress	4,667,311	(7,368,935)	6,409,911	-	3,708,287
Total Capital Assets, not being depreciated	50,336,546	(7,368,935)	6,409,911	-	49,377,522
Capital assets, being depreciated:					
Structures and improvements	83,985,785	1,723,726	-	-	85,709,511
Equipment	24,725,004	275,926	507,439	(1,695,918)	23,812,451
Infrastructure	115,943,167	5,369,283	-	-	121,312,450
Total Capital Assets, being depreciated	224,653,956	7,368,935	507,439	(1,695,918)	230,834,412
Less accumulated depreciation:					
Structures and improvements	(35,996,568)	-	(2,745,635)	-	(38,742,203)
Equipment	(17,733,450)	-	(1,602,332)	1,679,622	(17,656,160)
Infrastructure	(48,809,266)	-	(3,324,572)	-	(52,133,838)
Total Accumulated depreciation	(102,539,284)	-	(7,672,539)	1,679,622	(108,532,201)
Total capital assets, being depreciated, net	122,114,672	7,368,935	(7,165,100)	(16,296)	122,302,211
Governmental Activities Capital Assets, Net	<u>\$ 172,451,218</u>	<u>\$ -</u>	<u>\$ (755,189)</u>	<u>\$ (16,296)</u>	<u>\$ 171,679,733</u>
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,074,536	\$ -	\$ -	\$ -	\$ 2,074,536
Construction-in-progress	8,885,293	(5,884,904)	1,295,933	-	4,296,322
Total Capital Assets, not being depreciated	10,959,829	(5,884,904)	1,295,933	-	6,370,858
Capital assets, being depreciated:					
Equipment	316,357	-	-	(27,583)	288,774
Infrastructure	99,554,650	5,884,904	30,622	-	105,470,176
Total Capital Assets, being depreciated	99,871,007	5,884,904	30,622	(27,583)	105,758,950
Less accumulated depreciation:					
Equipment	(309,405)	-	(4,316)	26,203	(287,518)
Infrastructure	(44,103,339)	-	(2,409,951)	-	(46,513,290)
Total Accumulated depreciation	(44,412,744)	-	(2,414,267)	26,203	(46,800,808)
Total capital assets, being depreciated, net	55,458,263	5,884,904	(2,383,645)	(1,380)	58,958,142
Business-Type Activities Capital Assets, Net	<u>\$ 66,418,092</u>	<u>\$ -</u>	<u>\$ (1,087,712)</u>	<u>\$ (1,380)</u>	<u>\$ 65,329,000</u>

**CITY OF BREA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

**Note 6: Capital Assets (Continued)**

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

Governmental Activities:

City:

General government	\$ 1,342,636
Public safety	569,718
Community development	20,022
Community services	543,527
Public works	4,441,391
Total City	<u>6,917,294</u>

Internal service:

Vehicle maintenance	663,051
Building occupancy	92,194
Total internal service	<u>755,245</u>
Total Governmental Activities	<u>\$ 7,672,539</u>

Business-Type Activities:

Water utility	\$ 2,021,787
Sewer utility	390,467
Urban runoff	938
Information Technology External Support	1,075
Total Business-Type Activities	<u>\$ 2,414,267</u>

**Note 7: Long-Term Debt**

**a. Governmental Activities Long-Term Debt**

A summary of changes in governmental activities long-term debt for the year ended June 30, 2014, is noted below:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Lease Revenue Bonds					
2010 lease revenue bonds	\$ 2,760,000	\$ -	\$ -	\$ 2,760,000	\$ -
Capital leases payable	4,659,564	-	(490,155)	4,169,409	516,719
Compensated absences payable	2,706,077	3,158,994	(3,266,395)	2,598,676	1,949,007
Other post employment benefits obligation	3,690,010	1,385,000	(811,722)	4,263,288	-
Claims and Judgments (Note 10)	5,071,498	629,798	(1,418,889)	4,282,407	1,198,119
	<u>\$ 18,887,149</u>	<u>\$ 5,173,792</u>	<u>\$ (5,987,161)</u>	<u>\$ 18,073,780</u>	<u>\$ 3,663,845</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 7: Long-Term Debt (Continued)****Lease Revenue Bonds**

## 2010 Lease Revenue Bonds

The \$2,835,000 principal amount of the 2010 Lease Revenue Bonds was issued by the Brea Public Financing Authority in April 2010. The proceeds will be used to finance a portion of the costs of the installation of photovoltaic energy systems and energy efficient improvements on city property. The Authority elected to treat the bonds as "Build America Bonds" under Section 54AA(g)(2) of the Tax Code which made the Authority eligible for cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the bonds. These are referred to as "refundable credits" in the bond indenture and are recorded as intergovernmental revenue in the accompanying basic financial statements. These refundable credits are pledged for the payment of the bonds.

Bonds maturing on April 1, 2011 are serial bonds payable in one annual installment of \$75,000 bearing interest of 1.31 %. Bonds maturing on April 1, 2030, in the amount of \$1,260,000 are term bonds and bear interest at 6.734%. Installments are \$380,000, \$420,000 and \$460,000 and are due in 2028, 2029 and 2030. Bonds maturing on April 1, 2036, in the amount of \$1,500,000, are term bonds and bear interest at 6.884%. Installments range from \$165,000 to \$510,000 every year from 2031 to 2036.

Bonds are payable from the lease payments to be made by the City of Brea for the leasing of certain real property pursuant to the lease agreement dated April 1, 2010. The required reserve for the 2010 lease revenue bonds is \$261,807. As of June 30, 2014, the reserve amount was \$263,162.

The outstanding balance at June 30, 2014, was \$2,760,000.

The debt service schedule of the 2010 Lease Revenue Bonds are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 188,108	\$ 188,108
2016	-	188,108	188,108
2017	-	188,108	188,108
2018	-	188,108	188,108
2019	-	188,108	188,108
2020-2024	-	940,542	940,542
2025-2029	800,000	914,953	1,714,953
2030-2034	1,510,000	406,843	1,916,843
2035-2036	450,000	47,155	497,155
Total	<u>\$ 2,760,000</u>	<u>\$ 3,250,033</u>	<u>\$ 6,010,033</u>

**Capital Leases**

In February 2006, the City entered into a lease agreement with LaSalle National Leasing Corporation to acquire new energy management equipment. Per the lease agreement, the semi-annual payments of \$87,091 are due in February and August of each year with the final payment due in February 2018. The outstanding balance at June 30, 2014, was \$629,409.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**


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**Note 7: Long-Term Debt (Continued)**

In April 2010, the City entered into Equipment Lease Purchase Agreement with Banc of America Leasing & Capital, LLC to finance the Brea Civic and Cultural Center Project, the Brea Community Center Project and Berry Street Reservoir Project. Per the lease agreement, semi annual payments ranging from \$11,467 to \$492,288 are due in April and October with the final payment due in April 2027. The outstanding balance at June 30, 2014, was \$3,540,000.

The gross amount of assets acquired through capital lease is as follows:

Land	\$	924,850
Equipment		9,549,414
Total	\$	<u>10,474,264</u>

Total capital leases payable outstanding at June 30, 2014, was \$4,169,409.

The debt service schedules of these leases are as follows:

Fiscal Year Ending June 30,		
2015	\$	772,866
2016		773,964
2017		488,447
2018		499,726
2019		340,531
2020-2024		1,854,165
2025-2027		<u>1,187,275</u>
Total minimum lease payments		5,916,974
Less: amount representing interest		<u>(1,747,565)</u>
Present value of minimum lease payment	\$	<u>4,169,409</u>

**Compensated Absences**

The City's policies relating to compensated absences are described in Note 1. The Governmental Activities' liability, at June 30, 2014, will be paid in future years from the General Fund, Vehicle Maintenance Fund, and Building Occupancy Fund in amounts of \$2,516,515, \$34,391 and \$47,770, respectively. Total compensated absences at June 30, 2014, were \$2,598,676.

**Other Post Employment Benefits Obligation**

Other post employment benefits obligation will be repaid in future years from the general fund. See Note 9 for more information. The amount of other post employment benefits obligation at June 30, 2014, was \$4,263,288.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**
**Note 7: Long-Term Debt (Continued)****b. Business-Type Activities Long-Term Debt**

A summary of changes in business-type activities long-term debt for the year ended June 30, 2014, is noted below:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Water Revenue Bonds					
2009 Water Revenue Bonds	\$ 24,460,000	\$ -	\$ (520,000)	\$ 23,940,000	\$ 535,000
2010 Water Revenue Bonds	11,865,000	-	(455,000)	11,410,000	480,000
Compensated absences payable	211,399	308,344	(258,008)	261,735	196,301
<b>Totals</b>	<b>\$ 36,536,399</b>	<b>\$ 308,344</b>	<b>\$ (1,233,008)</b>	35,611,735	<b>\$ 1,211,301</b>
			Bond discount	(310,666)	
			Bond premium	39,390	
			<b>Total long-term debt</b>	<b>\$ 35,340,459</b>	

**Water Revenue Bonds****2009 Water Revenue Bonds**

In May of 2009, the Brea Public Financing Authority issued \$25,800,000 of 2009 Water Revenue Bonds structured into two series. The \$12,855,000 2009 Water Revenue Refunding Bond Series A and the \$12,945,000 2009 Water Revenue Bonds, Series B. The proceeds from Series A bonds was used to current refund all of the remaining outstanding 1998 Water Revenue Bonds and proceeds from the Series B Bonds financed the acquisition of additional water rights and various capital projects relating to the Water System. Proceeds were also used to fund a debt service reserve fund and pay cost of issuance expenses.

Series A bonds consist of \$12,855,000 serial bonds and term bonds. Bonds maturing in the years 2010 through 2027 are serial bonds payable in annual installments of \$335,000 to \$885,000 and bear interest at 2.0% to 4.75%. Bonds maturing July 1, 2029, in the amount of \$1,375,000 are term bonds and bear interest at 4.75%. Series B bonds consist of \$12,945,000 term bonds. Bonds mature from 2029 through 2039 in annual installments of \$525,000 to \$1,495,000 and bear interest at 6.75%.

The required reserve for the 2009 Water Revenue Bonds is \$1,819,094. As of June 30, 2014, the reserve was \$1,882,420 being held in the Water Fund of the City of Brea. The outstanding balance at June 30, 2014, was \$23,940,000.

**2010 Water Revenue Bonds**

In April of 2010, the Brea Public Financing Authority sold \$12,295,000 of water revenue bonds into two series. Both Series A and B were issued to finance a portion of the costs of the installation of photovoltaic energy systems and energy efficient improvements at the City. Proceeds were also used to fund a debt service reserve fund and pay issuance costs and capitalized interest on the bonds through the end of the construction phase.

Series A bonds consist of \$2,410,000 of tax exempt serial bond maturing on July 1 of each year beginning in 2012 through 2016. Annual principal installments range from \$430,000 to \$540,000. Interest is payable July 1 and January 1 of each year and range from 2% to 4%.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 7: Long-Term Debt (Continued)**

Series B bonds consist of \$9,885,000 of federally taxable "Build America Bonds." \$2,195,000 of these bonds are serial bonds maturity on July 1 of each year beginning in 2017 through 2025. Annual principal installments range from \$125,000 to \$385,000. Interest payments are due July 1 and January 1 of each year and range from 4.37% to 5.99%. The remaining \$7,690,000 are term bonds due maturing on July 1, 2030 and July 1, 2036 in the amounts of \$2,685,000 and \$5,005,000. The Series B bonds are also subject to mandatory sinking fund requirements. These "Build America Bonds" under Section 54AA(g)(1) of the Tax Code make the Authority eligible for cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the bonds. These are referred to as "refundable credits" in the bond indenture and are recorded as federal interest subsidy revenue in the accompanying basic financial statements. These refundable credits are pledged for the payment of the bonds.

The required reserve for the 2010 Water Revenue Bonds, Series A and B is \$233,579 and \$958,060, respectively. As of June 30, 2014, the reserve amount was \$257,291 and \$1,055,210, respectively.

The outstanding balance at June 30, 2014, was \$11,410,000.

**Water Revenue Bonds Debt Coverage Requirement**

The City has covenanted that gross revenues less operation and maintenance costs as defined in the bond document shall be at least 1.25 times the sum of all debt service on all parity obligations. Gross revenues for the year ended June 30, 2014, were \$19,302,802. Operation and maintenance costs for the year ended June 30, 2014, were \$11,873,994, excluding depreciation. This resulted in a debt coverage ratio of 2.47 for the year ended June 30, 2014.

**Pledged Revenues**

Future net revenues of the Water Utility Fund for each year's debt service payment are pledged until the extinguishment of the debt in 2040 and are not available for other uses. Remaining principal and interest payments on this debt as of June 30, 2014, is \$68,445,776.

The debt service schedules of these Water Revenue Bonds are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,015,000	\$ 2,003,652	\$ 3,018,652
2016	1,060,000	1,970,508	3,030,508
2017	1,110,000	1,930,614	3,040,614
2018	715,000	1,896,041	2,611,041
2019	760,000	1,866,558	2,626,558
2020-2024	4,635,000	8,784,762	13,419,762
2025-2029	6,420,000	7,470,641	13,890,641
2030-2034	8,865,000	5,190,836	14,055,836
2035-2039	9,275,000	1,931,708	11,206,708
2040-2041	1,495,000	50,456	1,545,456
Total	<u>\$ 35,350,000</u>	<u>\$ 33,095,776</u>	<u>\$ 68,445,776</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 7: Long-Term Debt (Continued)**

**Compensated Absences**

The City's policies relating to compensated absences are described in Note 1. This liability at June 30, 2014, will be paid in future years by the enterprise funds. Total compensated absences at June 30, 2014, were \$261,735.

**c. Debt Without Government Commitment**

**Assessment District Bonds**

The special assessment bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the full faith and credit nor taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders.

In December 1997, the City issued for and on behalf of the Community Facilities District No. 1996-1 (Downtown Brea Public Improvements) \$3,235,000 aggregate principal amount of 1997 Special Tax Bonds to finance the acquisition of certain public improvements with appurtenant work and incidental expenses within the District. The Bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from proceeds of annual special tax levied on property within the District. Bonds maturing in the years 1999 to 2012 are serial bonds payable in annual installments of \$60,000 to \$145,000 while bonds maturing in the year 2016, in the amount of \$670,000, and in the year 2021, in the amount of \$1,095,000 are term bonds. The interest rates on the bonds range from 4.20% to 6.00%. The outstanding balance was paid in full as of June 30, 2014.

In December 1999, the City borrowed for and on behalf of the Community Facilities District No. 1990-1 (Imperial Center East) \$1,478,000 principal amount of 1999 Special Tax Refunding Note to current refund the District's 1990 Special Tax Bonds. The money borrowed was pursuant to the Mello-Roos Community Facilities Act of 1982 and is payable from the proceeds of an annual special tax levied on the property within the District. The note matures from 2000 to 2015, with annual installments ranging from \$99,000 to \$122,000 per year. The interest rate on the note is 5.780%. The outstanding balance at June 30, 2014, was \$244,000.

In September 2003, the City issued for and on behalf of the Community Facilities District No. 1988-1 (Fairway Center) \$2,580,000 aggregate principal amount of 2003 Special Tax Refunding Bonds to current refund in full the Community Facilities District No. 1988-1 (Fairway Center) 1997 Special Tax Refunding Bonds. The bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from the proceeds of an annual special tax levied on property within the District. The bonds mature from 2004 through 2026, with annual installments ranging from \$65,000 to \$190,000 per year. The interest rates on the bonds range from 1.75% to 6.10%. The outstanding balance was paid in full as of June 30, 2014.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 7: Long-Term Debt (Continued)**

In June 2005, the Brea Public Financing Authority issued \$15,405,000 Brea Public Financing Authority 2005 Series A Local Agency Revenue Bonds for and on behalf of the City of Brea Community Facilities District No. 1997-1 (Olinda Heights Public Improvements) and the Brea Olinda Unified School District Community Facilities District No. 95-1 (Olinda Heights). The Brea Olinda Unified School District Community Facilities District Bonds are not part of the City; therefore, additional information is not provided. \$6,665,000 of the City of Brea Community Facilities District Bonds were to current refund in full of the Community facilities District No. 1997-1 (Olinda Heights Public Improvements) 1998 Special Tax Bonds. The bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982, and are payable from the proceeds of annual special tax to be levied on property. The bonds mature from 2006 to 2028, with annual installments ranging from \$195,000 to \$430,000 per year. The interest rates on the bonds range from 2.500% to 4.125%. The outstanding balance at June 30, 2014, was \$4,925,000.

In December 2009, the City of Brea on behalf of the City of Brea Community Facilities District No. 2008- 2 issued \$8,145,000 in bonds known as the Brea Plaza Area Public Improvements 2009 Special Tax Bonds to finance acquisition and construction of certain public capital improvements in Brea Plaza. Proceeds will also be used to pay administrative expenses of the Community Facilities District, bond issuance costs, and capitalized interest on the bonds through the end of the construction. These bonds are not obligations of the City and will be paid solely from special tax revenues levied on certain property within the Community Facilities District. The bonds mature from 2012 to 2039, with annual installments including sinking fund requirements range from \$50,000 to \$765,000 per year. The interest rates on the bonds range from 4% to 7%. The outstanding balance at June 30, 2014, was \$8,040,000.

In February 2014, the City issued for and on in behalf of the Community Facilities District No. 1996-1 (Downtown Brea Public Improvements) \$1,630,000 aggregate principal amount of 2014 Special Tax Refunding Bonds to current refund in full the Community Facilities District No. 1996-1 (Downtown Brea Public Improvements) 1997 Special Tax Bonds. The bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from the proceeds of an annual special tax levied on property within the District. The bonds mature from 2014 to 2021, with annual installments ranging from \$165,000 to \$225,000 per year. The annual interest rate on the bonds is 2.580%. The outstanding balance at June 30, 2014, was \$1,630,000.

**Note 8: Defined Benefit Pension Plan**

**Plan Description**

The City of Brea contributes to the California Public Employees Retirement System ("PERS"), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statutes and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 8: Defined Benefit Pension Plan (Continued)**

**Funding Policy**

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. As of July 1, 2011, employees covered under the miscellaneous plan and the safety plan were required to contribute 1.125% and 2.250%, respectively, of the required employee contributions. The City contributes the remaining employee portions on behalf of employees covered under the safety and miscellaneous plans of 5.875%, and 6.750%, respectively. For the year ended June 30, 2014, the amount contributed by the City on behalf of the employees was \$856,356. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The employer's required contribution rate for the year ended June 30, 2014, was 13.066% for miscellaneous employees and 32.336% for safety employees. Separately funded plans have been established for each employee group. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

**Required Contribution**

For the year ended June 30, 2014, the City's annual pension cost (employer contribution) of \$3,764,571 for safety and \$2,031,511 for miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2013, actuarial valuation using the entry age normal actuarial cost method.

A summary of principle assumptions and methods used to determine the annual required contribution is shown below:

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	25 Years as of the Valuation Date for Miscellaneous Employees 32 Years as of the Valuation Date for Safety Employees
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.50% (net of administrative expense)
Projected Salary Increases	3.30% to 14.20% depending on age, service and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

**Note 8: Defined Benefit Pension Plan (Continued)**

Safety Plan			
Three-Year Trend Information			
Fiscal Year	Annual Pension Cost (APC) (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 4,588,912	100%	\$ -
6/30/2013	3,994,912	100%	-
6/30/2014	3,764,571	100%	-

Miscellaneous Plan			
Three-Year Trend Information			
Fiscal Year	Annual Pension Cost (APC) (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 1,673,190	100%	\$ -
6/30/2013	1,863,614	100%	-
6/30/2014	2,031,511	100%	-

**Funded Status and Funding Progress**

Safety Employees – As of June 30, 2013, the most recent actuarial valuation date, the plan was 69.0 percent funded. The actuarial accrued liability for benefits was \$202,767,046, and the actuarial value of assets was \$140,001,347, resulting in an unfunded actuarial accrued liability (“UAAL”) of \$62,765,699. The covered payroll (annual payroll of active employees covered by the plan) was \$11,359,365, and the ratio of the UAAL to the covered payroll was 552.5 percent.

Schedule of Funding Progress for PERS  
Safety Plan

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as % of Payroll
6/30/2011	\$ 186,247,711	\$ 146,056,253	\$ 40,191,458	78.4%	\$ 15,035,741	267.3%
6/30/2012	191,751,750	152,827,533	38,924,217	79.7%	14,695,318	264.9%
6/30/2013	202,767,046	140,001,347	62,765,699	69.0%	11,359,365	552.5%

Miscellaneous Employees – As of June 30, 2013, the most recent actuarial valuation date, the plan was 75.1 percent funded. The actuarial accrued liability for benefits was \$108,204,735 and the actuarial value of assets was \$81,221,226 resulting in an UAAL of \$26,983,509. The covered payroll (annual payroll of active employees covered by the plan) was \$15,024,118, and the ratio of the UAAL to the covered payroll was 179.6 percent.

Schedule of Funding Progress for PERS  
Miscellaneous Plan

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as % of Payroll
6/30/2011	\$ 97,834,352	\$ 83,443,780	\$ 14,390,572	85.3%	\$ 14,691,017	98.0%
6/30/2012	102,226,046	87,360,704	14,865,342	85.5%	14,569,909	102.0%
6/30/2013	108,204,735	81,221,226	26,983,509	75.1%	15,024,118	179.6%

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**
**Note 9: Other Post Employment Benefits****Plan Description**

In addition to providing pension benefits, the City provides medical insurance for certain employees after they separate from the City, through a single-employer defined benefit plan as provided under the City's contractual agreements with members from each unit. Members who retire from the City on or after attaining the age of 50 with at least five years of service are eligible for these benefits. A separate annual financial report is not available for this plan.

**Funding Policy**

Currently the City funds retiree healthcare benefits on a pay-as-you-go basis, paying a maximum of \$350 per month for retiree benefits from the City funds as they are due with no pre-funding for future years. The City recognizes expenditure for its share of the annual premiums as these benefits become due. For fiscal year ended June 30, 2014, the City paid \$811,722 for benefits of 211 retired employees.

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other post-employment benefit ("OPEB") cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 1,523,000
Interest on net pension obligation	131,000
Adjustment to ARC	<u>(269,000)</u>
Annual OPEB cost	1,385,000
Contribution made	<u>811,722</u>
Increase (decrease) in net OPEB obligation	573,278
Net OPEB obligation - July 1, 2013	<u>3,690,010</u>
Net OPEB obligation - June 30, 2014	<u><u>\$ 4,263,288</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014, and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 1,523,000	\$ 697,610	45.80%	\$ 3,142,728
6/30/2013	1,324,000	776,718	58.66%	3,690,010
6/30/2014	1,385,000	811,722	58.61%	4,263,288

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**
**Note 9: Other Post Employment Benefits (Continued)**
**Funded Status and Funding Progress**

The required contribution is based on projected pay-as-you-go financing requirements with additional amount to prefund benefits as determined annually by the City under an actuarial valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This is the latest information available:

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as % of Payroll
6/30/2007	\$ 17,585,000	\$ -	\$ 17,585,000	0.0%	\$ 28,856,000	60.9%
6/30/2009	17,269,000	-	17,269,000	0.0%	27,603,000	62.6%
6/30/2011	18,197,000	-	18,197,000	0.0%	24,983,000	72.8%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation, dated June 30, 2011, used the Entry Age Normal actuarial cost method, a discount rate of 4.00% which is the long-term expected rate of return on the City's investment fund, an annual general inflation rate of 3.00%, and an annual aggregate payroll increase of 3.25%. Annual healthcare cost trend 8.5% to 8.9%, reduced by decrements of 0.5% per year to an ultimate rate of 5% after 2021. The unfunded accrued actuarial liability (UAAL) is being amortized over a closed 26-year period as a level percentage of payroll. As of the actuarial valuation date, the City had 252 active participants and 201 retirees receiving benefits.

**Note 10: Self-Insurance Program**

The City is a member of the California Insurance Pool Authority ("CIPA"). CIPA, a consortium of 12 cities in Los Angeles County and Orange County, California, that was established to pool resources, share risks, purchase excess insurance and to share costs for professional risk management and claims administration.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 10: Self-Insurance Program (Continued)**

At June 30, 2014, the City was self-insured for workers' compensation up to \$400,000 per occurrence and general liability and auto liability insurance up to \$350,000 per occurrence. The coverage for general and auto liability extends to \$20,000,000 per occurrence with a \$20,000,000 annual pooled aggregate. Member agencies may be assessed the difference between funds available and the \$20,000,000 annual pooled aggregate in proportion to their annual premium. Settled claims have not exceeded this commercial coverage in the past three years.

The Governing Board is comprised of one member from each participating city and is responsible for the selection of management and for the budgeting and financial management of CIPA. At the termination of the risk pool agreement and after all claims have been settled, any excess or deficit will be divided among the cities in proportion to the aggregate amount of contribution made by each.

At June 30, 2014, \$4,282,407 has been accrued for general liability and workers' compensation claims in the Internal Service Risk Management Fund. These amounts represent estimates of amounts to be paid for reported claims and incurred but not yet reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2014, is dependent on future developments, based upon information from the City Attorney, the City's claims administrators and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses.

Changes in the claims liability amounted to the following for the years ended June 30:

Fiscal Year Ended	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2012	\$ 4,342,063	\$ 2,926,186	\$ (1,826,837)	\$ 5,441,412
2013	5,441,412	2,257,620	(2,627,534)	5,071,498
2014	5,071,498	629,798	(1,418,889)	4,282,407

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

CITY OF BREA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Note 11: Fund Balance Classifications

Fund balances in the governmental funds at June 30, 2014, have been classified as follows:

	General	Special Revenue Fund Housing Successor	Capital Projects Fund Capital Improvements	Other Governmental Funds	Total
<b>Nonspendable:</b>					
Notes and loans	\$ -	\$ 18,144,052	\$ -	\$ 68,000	\$ 18,212,052
Advances to other funds	1,096,665	-	-	-	1,096,665
<b>Total nonspendable</b>	<b>1,096,665</b>	<b>18,144,052</b>	<b>-</b>	<b>68,000</b>	<b>19,308,717</b>
<b>Restricted:</b>					
Debt service	293,713	-	-	-	293,713
Prop 172	559,767	-	-	-	559,767
COPS	12,504	-	-	-	12,504
Lighting and maintenance districts	295,510	-	-	-	295,510
Low and moderate income housing	-	805,093	-	-	805,093
Capital projects	-	-	13,380,883	-	13,380,883
Gas tax	-	-	-	936,631	936,631
Narcotic enforcement	-	-	-	1,141,393	1,141,393
Air quality improvement	-	-	-	154,765	154,765
Park development	-	-	-	848,016	848,016
Measure M	-	-	-	577,574	577,574
Affordable housing trust	-	-	-	2,095,325	2,095,325
Blackstone CFD	-	-	-	1,773,775	1,773,775
Capital and mitigation improvement	-	-	-	7,078,400	7,078,400
Storm drain	-	-	-	253,475	253,475
<b>Total restricted</b>	<b>1,161,494</b>	<b>805,093</b>	<b>13,380,883</b>	<b>14,859,354</b>	<b>30,206,824</b>
<b>Committed:</b>					
Asset replacement	8,649,210	-	-	-	8,649,210
<b>Total committed</b>	<b>8,649,210</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,649,210</b>
<b>Assigned:</b>					
Community center	800,857	-	-	-	800,857
<b>Total assigned</b>	<b>800,857</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>800,857</b>
<b>Unassigned:</b>					
General Fund	21,046,657	-	-	-	21,046,657
Other Governmental Funds	-	-	-	(89,971)	(89,971)
<b>Total unassigned</b>	<b>21,046,657</b>	<b>-</b>	<b>-</b>	<b>(89,971)</b>	<b>20,956,686</b>
<b>Total</b>	<b>\$ 32,754,883</b>	<b>\$ 18,949,145</b>	<b>\$ 13,380,883</b>	<b>\$ 14,837,383</b>	<b>\$ 79,922,294</b>

**CITY OF BREA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

**Note 12: Deficit Fund Balance or Net Position**

The following nonmajor funds have a deficit at June 30, 2014:

Community Development Block Grant	\$ 55,948
Midbury	34,023
Sanitation	216,047

The City expects to eliminate these deficits with anticipated future revenues from grants, special assessments and fee for services.

**Note 13: Construction and Other Significant Commitments**

The following material construction commitments existed at June 30, 2014:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2014</u>	<u>Remaining Commitments</u>
Berry Street and Imperial Highway Sewer Main Replacement	\$ 769,848	\$ -	\$ 769,848
Imperial Highway Greenbelt Improvements	797,746	-	797,746
Total			<u>\$ 1,567,594</u>

**Note 14: Contingencies**

The City is a defendant in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial position of the City.

The City incurs various costs under federal and state grant reimbursement programs and records the related revenue and receivables for grant claims. Such grant claims are subject to final audit by federal and state agencies.

**Note 15: California Redevelopment Agency Dissolution**

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 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 Brea 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 another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On August 25, 2011, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2011-085.

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 at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**


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**Note 15: California Redevelopment Agency Dissolution**

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 the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directed the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers was not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller was required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private purpose trust fund) in the financial statements of the City.

**a. Cash and investments**

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments	\$ 2,890,457
Cash and investments with fiscal agent	<u>33,925,905</u>
	<u>\$ 36,816,362</u>

**b. Loans Receivable**

The City (through the former redevelopment agency) has made long term loans to various developers and organizations to stimulate development in the City and remove blight in designated project areas. The outstanding balance at June 30, 2014, is as follows:

Rehabilitation Loans	\$ 35,290
Developer/ Organization Loans:	
Brea Improv	444,186
Brea Olinda Unified School District	<u>2,172,593</u>
Total notes, loans and deferred loans receivable	<u>\$ 2,652,069</u>

CITY OF BREA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

**Note 15: California Redevelopment Agency Dissolution (Continued)**

**c. Long-Term Debt**

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2014, follows:

	Beginning Balance	Defeased	Additions	Repayments	Ending Balance	Due Within One Year
Tax Allocation Bonds						
2001 Tax Allocation Refunding Bonds, Series A	\$ 38,735,000	\$ (36,205,000)	\$ -	\$ (2,530,000)	\$ -	\$ -
2003 Tax Allocation Bonds	98,966,628	(68,390,000)	511,781	(4,340,000)	26,748,409	-
2008 Tax Allocation Bonds Series A	15,790,000	-	-	(815,000)	14,975,000	855,000
2008 Tax Allocation Bonds Series B	1,765,000	-	-	(70,000)	1,695,000	75,000
2011 Tax Allocation Bonds Series A	20,605,913	-	1,195,135	(30,000)	21,771,048	22,816
2011 Tax Allocation Bonds Series B	10,295,000	-	-	(85,000)	10,210,000	85,000
2013 Tax Allocation Bonds	-	-	96,620,000	-	96,620,000	8,170,000
Lease Revenue Bonds						
2004 Refunding Lease Revenue Bonds	2,670,000	-	-	(255,000)	2,415,000	265,000
2010 Refunding Lease Revenue Bonds	7,870,000	-	-	(750,000)	7,120,000	770,000
	<u>\$ 196,697,541</u>	<u>\$ (104,595,000)</u>	<u>\$ 98,326,916</u>	<u>\$ (8,875,000)</u>	181,554,457	<u>\$ 10,242,816</u>
				Unamortized bond discounts and premiums	10,266,390	
					<u>\$ 191,820,847</u>	

**Tax Allocation Bonds**

**2001 Tax Allocation Refunding Bonds, Series A**

In June 2001, the former Brea Redevelopment Agency issued \$56,170,000 principal amount of Brea Redevelopment Agency 2001 Tax Allocation Refunding Bonds, Series A. The proceeds were used in the aggregate to: 1) repay a portion of a loan made to the Agency by the Brea Public Financing Authority in connection with the 1991 Tax Allocation Revenue Bonds, Series A issued by the Authority and to defease a corresponding portion of such bonds, and 2) repay a loan made to the Agency by the Brea Public Financing Authority in connection with the 1991 Tax Allocation Revenue Bonds, Series C and to defease the corresponding outstanding bonds.

The bonds consist of \$41,375,000 serial bonds maturing in the years 2002 to 2020, payable August 1 in annual installments of \$710,000 to \$3,535,000. The bonds bear interest at 4.0% to 5.5%. Bonds maturing after August 1, 2020, in the amount of \$14,795,000 are term bonds and bear interest at 5.0%.

Serial bonds maturing on or after August 1, 2012, are subject to redemption in whole or in part at the option of the Agency from any available source of funds. Term bonds maturing on August 1, 2023, are subject to mandatory redemption in part by lot on August 1, 2021, August 1, 2022 and August 1, 2023, in the amounts of \$3,730,000, \$3,400,000 and \$7,665,000, respectively, from sinking fund payments made by the Agency.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 15: California Redevelopment Agency Dissolution (Continued)**

The bonds are secured by a first pledge on all of the tax revenues on parity with the 2003 and 2011 Tax Allocation Bonds. Bonds are further secured by a financial guarantee insurance policy in an amount equal to the Series A bond reserve requirement; no cash reserve is required to be established.

In December 2013, the Successor Agency issued the 2013 Tax Allocation Refunding Bonds to redeem the outstanding balance of the 2001 Tax Allocation Refunding Bonds, Series A. Upon issuance of the 2013 Bonds, a portion of the sale proceeds of the 2013 Bonds was transferred to the 2001A Escrow Fund. On the redemption date, moneys deposited in the escrow fund was used to pay the redemption price for the refunded bonds. As a result, the liability for 2001 Tax Allocation Bonds, Series A has been removed.

**2003 Tax Allocation Bonds**

In July 2003, the former Brea Redevelopment Agency issued \$120,497,866 principal amount of 2003 Redevelopment Project AB Tax Allocation Bonds. The proceeds were used to: 1) current refund the Agency's Brea Redevelopment Agency 1993 Tax Allocation Refunding Bonds, 2) pay the costs of additional redevelopment activities with respect to Project Area AB, 3) pay the cost of a reserve fund security instrument, and 4) pay costs of issuance related to the bonds.

Bonds in the years 2014 to 2026, are current interest bonds payable with no annual installments, while bonds maturing in the years 2028 to 2030, are capital appreciation bonds payable August 1 in annual installments of \$2,151,714 to \$1,801,707. Bonds maturing in the years 2027, 2031 and 2032, in the amount of \$16,475,000 are term bonds.

The current interest bonds bear interest at 4.450% due February 1 and August 1, of each year. The term bonds bear interest at 4.45% and are due August 1, 2032. The capital appreciation bonds have a face value of \$22,640,000. By their nature, there is no regular interest payments associated with capital appreciation bonds. The "interest" on the debt results from the difference between the amounts paid by the investors when the debt was issued and the significantly larger value at maturity. The \$22,640,000 of face value capital appreciation bonds were initially recorded at the amount of proceeds received, \$5,987,866. Each year, the outstanding balance is increased for the accretion of interest associated with the bonds.

A financial guaranty insurance policy has been issued and, accordingly, no cash reserve balance is required. Bond payments are secured by a first pledge on all of the tax revenues on parity with the 2011 and 2013 bonds.

In December 2013, the Successor Agency issued the 2013 Tax Allocation Refunding Bonds to redeem the current interest bonds and term bonds outstanding balance of the 2003 Tax Allocation Bonds. Upon issuance of the 2013 Bonds, a portion of the sale proceeds of the 2013 Bonds was transferred to the 2003 Escrow Fund. On the redemption date, moneys deposited in the escrow funds was used to pay the redemption price for the refunded bonds. As a result, except for the capital appreciation bonds, the liability for current interest bonds and term bonds has been removed. The outstanding balance of the capital appreciation bonds at June 30, 2014, was \$26,748,409.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 15: California Redevelopment Agency Dissolution (Continued)**

2008 Tax Allocation Revenue Bonds, Series A and B

In October 2008, the Brea Public Financing Authority issued its 2008 Tax Allocation Revenue Bonds, Series A and 2008 Tax Allocation Revenue Bonds, Series B in the amount of \$18,900,000 and \$2,025,000 respectively to make three separate loans to the Brea Redevelopment Agency pursuant to three loan agreements dated November 1, 2008. The proceeds of the loans were used to current refund the Agency's outstanding 1997 Senior Lien Tax Allocation Bonds in the amount of \$9,825,000, to current refund the 1997 Subordinate Lien Tax Allocation Bonds in the amount of \$2,235,000, to finance additional projects benefiting the Agency's Project Area C including low and moderate income housing programs.

The Series A Serial Bonds totaling \$9,715,000 have principal repayments ranging from \$710,000 to \$1,070,000 with interest rates ranging from 4.25% to 6.5%. The Series A Term Bonds totaling \$4,710,000 due September 1, 2023, have sinking fund maturities ranging from \$1,060,000 to \$1,300,000 with interest at 7.0%. The Series A Term Bonds totaling \$4,475,000 due September 1, 2026, have sinking fund maturities ranging from \$1,390,000 to \$1,595,000 with interest at 7.125%. The outstanding balance at June 30, 2014, was \$14,975,000.

The Series B Term Bonds totaling \$330,000 due September 1, 2013, have sinking fund maturities ranging from \$55,000 to \$80,000 with interest at 7.25%; the Series B Term Bonds totaling \$445,000 due September 1, 2018, have sinking fund maturities ranging from \$75,000 to \$105,000 with interest at 8.375%; and the Series B Term Bonds totaling \$1,250,000 due September 1, 2026, have sinking fund maturities ranging from \$115,000 to \$205,000 with interest at 9.0%. The outstanding balance at June 30, 2014, was \$1,695,000.

The required reserve for the Series A and Series B bonds is \$1,829,853 and \$202,500, respectively. As of June 30, 2014, the reserve amount was \$1,964,858 and \$214,551, respectively.

2011 Tax Allocation Bonds, Series A

In June 2011, the former Brea Redevelopment Agency issued \$18,839,323 principal amount of Brea Redevelopment Agency 2011 Tax Allocation Bonds, Series A. The proceeds were used to: 1) refund all of the Agency's remaining outstanding 2001 Subordinate Tax Allocation Refunding Bonds, Series B, 2) finance projects benefiting the Agency's Redevelopment Project AB, 3) fund a reserve account, and 4) pay costs of issuance.

Bonds maturing in the years 2031 are current interest bonds payable August 1 in one installment of \$4,315,000, while bonds maturing in the years 2013 to 2036, are capital appreciation bonds payable August 1 in annual installments of \$28,489 to \$1,958,307. The Series A Capital Appreciation Bonds maturing on August 1, 2025 and August 1, 2034 are subject to special mandatory redemption in whole by the Agency on July 1, 2025 and May 15, 2034, respectively, at redemption price equal to 100 percent of the accreted value of the Series A Capital Appreciation Bonds to be redeemed, without premium.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 15: California Redevelopment Agency Dissolution (Continued)**

The current interest bonds maturing on August 1, 2031, are subject to redemption in whole or in part at the option of the Agency from any available source of funds. The capital appreciation bonds maturing on or after August 1, 2022, are subject to redemption in whole or in part at the option of the Agency, from any available source of funds.

The current interest bonds bear interest at 5.00% due February 1 and August 1, of each year. The capital appreciation bonds have a face value of \$57,725,000. By their nature, there is no regular interest payments associated with capital appreciation bonds. The "interest" on the debt results from the difference between the amounts paid by the investors when the debt was issued and the significantly larger value at maturity. The \$57,725,000 of face value capital appreciation bonds were initially recorded at the amount of proceeds received, \$14,524,323. Each year, the outstanding balance is increased for the accretion of interest associated with the bonds.

Series A bonds are secured by a pledge of and lien on all the surplus tax revenues. The bonds are further secured by a required cash reserve of \$1,883,932 deposited with the trustee. As of June 30, 2014, the reserve was \$1,904,336.

Bond payments are secured by a first pledge on all of the tax revenues on parity with 2003 and 2013 bonds.

The outstanding balance at June 30, 2014, was \$21,771,048.

**2011 Taxable Tax Allocation Housing Bonds, Series B**

In June 2011, the former Brea Redevelopment Agency issued \$10,295,000 principal amount of Brea Redevelopment Agency 2011 Taxable Tax Allocation Housing Bonds, Series B. The proceeds were used to: 1) finance projects in the Agency's low and moderating income housing program of benefit to the project area, 2) fund a reserve account, and 3) pay costs of issuance.

Series B bonds consist of \$5,045,000 serial bonds maturing in the years 2013 to 2025, payable August 1 in annual installments of \$85,000 to \$1,735,000. The bonds bear interest at 2.126% to 6.862%. Bonds maturing in the year 2026 to 2029, in the amount of \$5,250,000 are term bonds and bear interest at 7.392%. The Series B Bonds maturing on August 1, 2025 are subjected to special mandatory redemption in whole by the Agency on July 1, 2025, at redemption price equal to 100 percent of the principal amount, together with accrued interest, without premium.

Serial bonds maturing on or after August 1, 2022, are subject to redemption in whole or in part at the option of the Agency from any available source of funds. Term bonds are subject to mandatory redemption in part by lot on August 1, 2026, August 1, 2027, August 1, 2028 and August 1, 2029, in the amount of \$1,410,000, \$1,515,000 \$1,625,000, \$700,000, respectively, from sinking fund payments made by the Agency.

Series B bonds are secured by a pledge of and lien on housing tax revenues. The bonds are further secured by a required cash reserve of \$1,029,500 deposited with the trustee. As of June 30, 2014, the reserve was \$1,040,532.

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 15: California Redevelopment Agency Dissolution (Continued)**

Bond payments are secured by a first pledge on all of the tax revenues on parity with 2003 and 2013 bonds.

The outstanding balance at June 30, 2014, was \$10,210,000.

**2013 Tax Allocation Refunding Bonds**

In December 2013, the Successor Agency to the Brea Redevelopment Agency issued its \$96,620,000 Successor Agency to the Brea Redevelopment Agency Redevelopment Project AB 2013 Tax Allocation Refunding Bonds to refund the outstanding balance of the Brea Redevelopment Agency 2001 Tax Allocation Refunding Bonds, Series A in the amount of \$36,205,000 and to refund the current interest bonds and term bonds outstanding of the 2003 Tax Allocation Bonds in the amount of \$68,390,000. Upon issuance of the 2013 Bonds, a portion of the sale proceeds of the 2013 Bonds was transferred to the 2001A Escrow Fund and a portion of the sale proceeds of the 2013 Bonds was transferred to the 2003 Escrow Fund. On the Redemption Date, moneys deposited in the Escrow Funds were used to pay the redemption price for the Refunded Bonds.

The refunding resulted in the recognition of an accounting loss of \$1.83 million for the year ended June 30, 2014. The Successor Agency in effect reduced its aggregate debt service payments by almost \$10.47 million over the next 22 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$8.85 million.

Bonds Maturing in the years 2014 to 2026 are payable in August 1, of each year with annual installments ranging from \$1,500,000 to \$8,595,000. The interest rates on the bonds range from 4.00% to 5.00%.

A financial guaranty insurance policy has been issued and, accordingly, no cash reserve balance is required. Bond payments are secured by a first pledge on all tax revenues on parity with the 2003 and 2011 Tax Allocation Bonds.

The outstanding balance at June 30, 2014, was \$96,620,000.

Total Tax Allocation Bonds outstanding at June 30, 2014, was \$172,019,457. The debt service schedules of these Lease Revenue Bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 9,207,816	\$ 7,763,435	\$ 16,971,251
2016	7,748,753	6,792,611	14,541,364
2017	8,082,772	6,457,829	14,540,601
2018	8,416,968	6,080,845	14,497,813
2019	8,804,179	5,695,728	14,499,907
2020-2024	50,069,283	22,856,593	72,925,876
2025-2029	51,333,198	18,170,186	69,503,384
2030-2034	25,086,820	28,722,852	53,809,672
2035-2037	3,269,668	13,407,153	16,676,821
Total	<u>\$ 172,019,457</u>	<u>\$ 115,947,232</u>	<u>\$ 287,966,689</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 15: California Redevelopment Agency Dissolution (Continued)**

**Pledged Revenues**

The Successor Agency pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill X1 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$287,966,689, with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$18,699,064.

**Refunding Lease Revenue Bonds**

**2004 Refunding Lease Revenue Bonds**

The \$4,330,000 principal amount of the 2004 Refunding Lease Revenue Bonds was issued by the Brea Public Financing Authority in November 2004, to advance refund the Brea Public Financing Authority's 1995 Lease Revenue Bonds.

Bonds maturing in the years 2005 to 2021 are serial bonds payable in annual installments ranging from \$165,000 to \$345,000. The bonds bear interest at 3.000% to 4.500%. Bonds maturing on or after July 1, 2015, may be called before maturity and redeemed at the option of the Authority in whole or in part on any date after July 1, 2014, at a redemption price equal to 100% of the principal amount of the bonds redeemed.

Bonds are payable from the lease payments to be made by the City of Brea for the subleasing of certain real property pursuant to a lease agreement dated November 1, 2004. A financial guarantee insurance policy has been issued, and accordingly, no cash reserve balance is required to be established. Simultaneously, the City and the Agency entered into the Fourth Supplement to the Amended and Restated Reimbursement Agreement.

The outstanding balance at June 30, 2014, was \$2,415,000.

**2010 Refunding Lease Revenue Bonds**

The \$9,460,000 principal amount of the 2010 Refunding Lease Revenue Bonds was issued by the Brea Public Financing Authority in December 2010, to current refund the Brea Public Financing Authority's 1998 Lease Revenue Refunding Bonds.

Bonds maturing in the years 2011 to 2021 are serial bonds payable in annual installments ranging from \$865,000 to \$1,015,000. The bonds bear interest at 2 % to 4%, due semi-annually on January 1 and July 1. Bonds maturing on

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**
**Note 15: California Redevelopment Agency Dissolution (Continued)**

July 1, 2021, may be redeemed at the option of the Authority in whole or in part on any date after July 1, 2020, at a redemption price equal to 100% of the principal amount of the bonds redeemed.

Bonds are payable from the lease payments to be made by the City of Brea for the right to use and occupy certain property pursuant to a lease agreement dated December 1, 1998, and further amended by Amended and Restated Sublease Agreement dated December 1, 2010. Simultaneously, the City and the Agency entered into the Fourth Supplement to the Amended and Restated Reimbursement Agreement.

The outstanding balance at June 30, 2014, was \$7,120,000.

Total Refunding Lease Revenue Bonds outstanding at June 30, 2014, was \$9,535,000. The debt service schedules of these Lease Revenue Bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 1,035,000	\$ 358,770	\$ 1,393,770
2016	1,075,000	317,773	1,392,773
2017	1,120,000	274,769	1,394,769
2018	1,165,000	229,609	1,394,609
2019	1,210,000	182,484	1,392,484
2020-2022	3,930,000	242,575	4,172,575
Total	<u>\$ 9,535,000</u>	<u>\$ 1,605,980</u>	<u>\$ 11,140,980</u>

**Pledged Revenues**

The Successor Agency pledged, as security for the lease revenue bonds issued, direct General Fund contribution and indirect tax increment revenue via a lease reimbursement agreement. The bonds issued were to defease previously issued bonds. Assembly Bill X1 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$11,140,980 with annual debt service requirements as indicated above. For the current year, the General Fund contribution was \$1,400,795 and total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was 18,699,064. The debt service obligation on the lease revenue bonds for the current year was \$1,400,795.

**Multifamily Housing Revenue Bonds**

In July 2010, the Agency on behalf of Tonner Hills Housing Partners, LP (the "Borrower"), was authorized to issue \$5,858,319 and \$7,741,681 Brea Redevelopment Agency Multifamily Housing Revenue Bonds (Tonner Hills Apartment Homes) 2010 Series A-1 and A-2, respectively, for the purpose of providing funding

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 15: California Redevelopment Agency Dissolution (Continued)**

necessary for the acquisition, construction and equipping of a 94-unit multifamily rental housing project in the City. The Agency and the Borrower also entered into a non-interest bearing loan agreement in amount of \$1,200,000 (See Note 4). These bonds are not the obligations of the Agency and will be paid solely from future rent revenue. The outstanding balance is determined when a construction draw requisition is submitted to the bank for payment, limited up to the authorized amounts for each of the series. Currently, the bonds are only paying interest to bondholder for debt service payment. When the bonds are converted, then the Borrower will pay principal and interest per bond conversion. The outstanding balance at June 30, 2014, was \$3,964,060 and \$0 for Series A-1 and Series A-2, respectively.

**d. Insurance**

The Successor Agency of the former Redevelopment Agency is covered under the insurance policy of the City of Brea at June 30, 2014.

**e. Other Significant Commitments**

**Owner Participation Agreements**

In 1987, the Brea Redevelopment Agency entered into an owner participation agreement with the owners of the Brea Mall. This agreement obligates the Agency to pay the owners 80% of the tax increment revenues generated by the Brea Mall above the 1987-1988 base year tax increment, plus \$15,000. The agreement's term is for 33 years beginning the year ended June 30, 1990. The tax increment revenue sharing payments are senior to bond payments.

The amount paid by the Agency as a result of this agreement for the fiscal year ended June 30, 2014, was \$1,107,287. Future minimum payments for the next 5 years and thereafter are estimated as follows:

2015	\$ 1,107,287
2016	1,107,287
2017	1,107,287
2018	1,107,287
2019	1,107,287
Amount due thereafter	<u>4,429,148</u>
Total	<u><u>\$ 9,965,583</u></u>

**Note 16: Subsequent Events**

**2014 Water Revenue Bonds**

In August 2014, the Brea Community Benefit Financing Authority issued \$18,555,000 Brea Community Benefit Financing Authority 2014 Water Revenue Bonds at a premium to repay the inter fund loans made by the General Fund, Capital Improvements Fund and the Sewer Utility Fund to the Water Utility Fund for the purchase in May 2014 of shares of stock in California Domestic Water Company. See Note 5.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF BREA

**BUDGETARY COMPARISON SCHEDULE BY DEPARTMENT  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$32,255,613	\$ 32,255,613	\$32,255,613	\$ -
<b>Resources (Inflows):</b>				
Taxes	33,077,720	34,149,920	34,513,895	363,975
Licenses and permits	491,800	491,800	608,664	116,864
Intergovernmental	3,510,570	3,530,628	3,652,564	121,936
Charges for services	3,890,400	4,325,100	5,557,650	1,232,550
Use of money and property	2,082,994	2,082,994	2,150,747	67,753
Fines and forfeitures	1,137,400	1,137,400	852,821	(284,579)
Miscellaneous	4,177,080	3,053,212	2,774,949	(278,263)
Transfers in	1,496,100	1,539,100	1,534,100	(5,000)
<b>Amounts Available for Appropriations</b>	<b>82,119,677</b>	<b>82,565,767</b>	<b>83,901,003</b>	<b>1,335,236</b>
<b>Charges to Appropriations (Outflow):</b>				
General government				
Management services	2,370,156	2,691,609	2,138,305	553,304
Administrative services	3,140,985	3,565,357	3,248,982	316,375
Public safety				
Police	18,890,570	20,082,512	20,010,912	71,600
Fire	11,361,179	11,430,124	10,895,639	534,485
Community development	2,489,374	2,557,779	2,228,842	328,937
Community services	6,661,641	6,908,990	6,450,201	458,789
Public works	6,079,648	6,422,636	4,715,202	1,707,434
Debt service:				
Principal retirement	350,000	350,000	350,000	-
Interest and fiscal charges	439,402	439,402	439,402	-
Transfers out	560,920	1,361,892	668,635	693,257
<b>Total Charges to Appropriations</b>	<b>52,343,875</b>	<b>55,810,301</b>	<b>51,146,120</b>	<b>4,664,181</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$29,775,802</b>	<b>\$ 26,755,466</b>	<b>\$32,754,883</b>	<b>\$ 5,999,417</b>

CITY OF BREA

**BUDGETARY COMPARISON SCHEDULE  
HOUSING SUCCESSOR  
YEAR ENDED JUNE 30, 2014**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$21,616,585	\$21,616,585	\$21,616,585	\$ -
<b>Resources (Inflows):</b>				
Investment income	2,600	2,600	7,664	5,064
Rental income	176,250	176,250	148,887	(27,363)
Miscellaneous	100,000	100,000	37,197	(62,803)
<b>Amounts Available for Appropriations</b>	<b>21,895,435</b>	<b>21,895,435</b>	<b>21,810,333</b>	<b>(85,102)</b>
<b>Charges to Appropriations (Outflow):</b>				
Community development	266,297	2,953,122	2,861,188	91,934
<b>Total Charges to Appropriations</b>	<b>266,297</b>	<b>2,953,122</b>	<b>2,861,188</b>	<b>91,934</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$21,629,138</b>	<b>\$18,942,313</b>	<b>\$18,949,145</b>	<b>\$ 6,832</b>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Budget Information**

**General Budget Policies**

The City adheres to the following procedures in establishing the budgetary data reflected in its financial statements:

1. In May of each year, the City Manager submits to the City Council a proposed financial plan with an annual operating budget for the upcoming fiscal year commencing July 1. The operating budget includes proposed expenditures and the sources of financing.
2. Public hearings are conducted at City Council meetings to obtain taxpayer comments.
3. On or before July 1, the financial plan for the fiscal year is adopted by Council action.
4. The City Manager is authorized to transfer funds appropriated with respect to those classifications designated as other services and material and supplies within the same department. The City Manager may transfer appropriated funds from any classification within other expenditure categories to the capital outlay classification within the same department only; however, any revisions that alter the total expenditures of any department must be approved by the City Council. Activities of the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds are included in the annual appropriated budget. As an additional internal control mechanism, project-length financial plans are adopted for the Capital Improvement Program. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level within the General Fund and at the fund level for total expenditures and transfers out for all other budgeted funds.
5. Formal budgetary integration is employed as a management control device during the year for the governmental funds.
6. Legally adopted budgets for all governmental funds are established on a basis consistent with generally accepted accounting principles (GAAP). For the current fiscal year, the HOME Program special revenue fund had no adopted budget.

**Excess of Expenditures Over Appropriation**

For purposes of evaluating legal compliance at the budgetary level of control (that is, the level at which expenditures cannot legally exceed the appropriated amount), control is established at the department level within the General Fund and at the fund level for total expenditures and transfers out for all other budgeted funds.

## NON-MAJOR GOVERNMENTAL FUNDS

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### Non-major Special Revenue Funds

The **Gas Tax Fund** is used to account for revenues received and expenditures made for street improvements and street maintenance. Financing is provided by the City's share of State gasoline taxes made pursuant to the California State Constitution and authorized by the State Legislature.

The **Narcotics Enforcement Asset Seizure Fund** is used to account for revenues seized by the Police Department during narcotic investigations.

The **Air Quality Improvement Fund** is used to account for revenues received from vehicle registration fees and restricted for improvement of air quality.

The **Park Development Fund** is used to account for revenues received and expenditures made for park development and improvement. The primary source of revenue is park development fees collected from developers under the State of California's Quimby Act.

The **Measure M Fund** is used to account for ½ ¢ sales tax restricted for expenditure for road maintenance and street expenditures.

The **Affordable Housing Trust Fund** is used to account for revenues received and expenditures made for the development of low to moderate income housing. The primary source of revenue is fees collected from developers.

The **Community Development Block Grant Fund** is used to account for the revenues received and expenditures made for the City's Community Development Block Grant Program. Financing is provided under an agreement with the County of Orange whereby the City is a secondary recipient of funds made available from the U.S. Department of Housing and Urban Development under the Housing and Community Development Act of 1974 and 1977.

The **HOME Program Fund** is used to account for the revenues received and expenditures made for housing rehabilitation. Financing is provided under an agreement with the County of Orange whereby the City is a secondary recipient of funds made available from the U.S. Department of Housing and Urban Development.

The **Blackstone Community Facilities District 2008-1 Fund** is used to account for the collection of special taxes and expenditure for police, fire, maintenance and general city services including park maintenance and open space.

## NON-MAJOR GOVERNMENTAL FUNDS

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### Non-major Capital Projects Funds

The ***Capital and Mitigation Improvement Fund*** is used to account for the revenues received and expenditures made for the City Council-designated Capital Improvement projects, as well as the implementation of measures designed to mitigate impacts related to development, and the operation of government facilities, including, but not limited to: traffic, noise, aesthetics, and open space preservation. Financing is provided by the July 14, 2009 Agreement between the City and County of Orange regarding the extension of the Olinda Alpha Landfill.

The ***Storm Drain Fund*** is used to account for the financing and construction of storm drains throughout the City. Financing is provided by storm drain assessment fees.

The ***Midbury Assessment Authority Fund*** is an Agency Fund used to account for the collection and payment of neighborhood street improvements.

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CITY OF BREA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014

	Special Revenue Funds			
	Narcotics			
	Gas Tax	Enforcement Asset Seizure	Air Quality Improvement	Park Development
<b>Assets:</b>				
Cash and investments	\$ 809,471	\$ 1,047,939	\$ 141,429	\$ 848,016
Receivables:				
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Due from other governments	127,160	108,851	13,336	-
<b>Total Assets</b>	<b>\$ 936,631</b>	<b>\$ 1,156,790</b>	<b>\$ 154,765</b>	<b>\$ 848,016</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 11,577	\$ -	\$ -
Accrued liabilities	-	3,820	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>15,397</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Notes and loans	-	-	-	-
<b>Restricted for:</b>				
Community development projects	-	-	-	848,016
Public safety	-	1,141,393	-	-
Public works	936,631	-	154,765	-
Capital projects	-	-	-	-
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>936,631</b>	<b>1,141,393</b>	<b>154,765</b>	<b>848,016</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 936,631</b>	<b>\$ 1,156,790</b>	<b>\$ 154,765</b>	<b>\$ 848,016</b>

## CITY OF BREA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014

(CONTINUED)

	Special Revenue Funds			
	Measure M	Affordable Housing Fund	Community Development Block Grant	HOME Program
<b>Assets:</b>				
Cash and investments	\$ 428,576	\$ 2,095,325	\$ -	\$ -
Receivables:				
Taxes	-	-	-	-
Notes and loans	-	68,000	1,719,705	35,241
Due from other governments	157,344	-	55,836	-
<b>Total Assets</b>	<b>\$ 585,920</b>	<b>\$ 2,163,325</b>	<b>\$ 1,775,541</b>	<b>\$ 35,241</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 8,103	\$ -	\$ 33,465	\$ -
Accrued liabilities	243	-	-	-
Due to other governments	-	-	1,719,705	35,241
Due to other funds	-	-	22,483	-
Advances from other funds	-	-	-	-
<b>Total Liabilities</b>	<b>8,346</b>	<b>-</b>	<b>1,775,653</b>	<b>35,241</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	55,836	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>55,836</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Notes and loans	-	68,000	-	-
<b>Restricted for:</b>				
Community development projects	-	2,095,325	-	-
Public safety	-	-	-	-
Public works	577,574	-	-	-
Capital projects	-	-	-	-
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>(55,948)</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>577,574</b>	<b>2,163,325</b>	<b>(55,948)</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 585,920</b>	<b>\$ 2,163,325</b>	<b>\$ 1,775,541</b>	<b>\$ 35,241</b>

CITY OF BREA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014

	Special Revenue Funds	Capital Projects Funds		
	Blackstone CFD	Capital and Mitigation Improvement	Storm Drain	Midbury
<b>Assets:</b>				
Cash and investments	\$ 1,774,532	\$ 7,078,400	\$ 253,475	\$ 2,187
Receivables:				
Taxes	3,882	-	-	-
Notes and loans	-	-	-	-
Due from other governments	-	-	-	-
<b>Total Assets</b>	<b>\$ 1,778,414</b>	<b>\$ 7,078,400</b>	<b>\$ 253,475</b>	<b>\$ 2,187</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,924	\$ -	\$ -	\$ -
Accrued liabilities	2,715	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	36,210
<b>Total Liabilities</b>	<b>4,639</b>	<b>-</b>	<b>-</b>	<b>36,210</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Notes and loans	-	-	-	-
<b>Restricted for:</b>				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	1,773,775	-	-	-
Capital projects	-	7,078,400	253,475	-
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34,023)</b>
<b>Total Fund Balances</b>	<b>1,773,775</b>	<b>7,078,400</b>	<b>253,475</b>	<b>(34,023)</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,778,414</b>	<b>\$ 7,078,400</b>	<b>\$ 253,475</b>	<b>\$ 2,187</b>

CITY OF BREA

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	<b>Total Nonmajor Governmental Funds</b>
<b>Assets:</b>	
Cash and investments	\$ 14,479,350
Receivables:	
Taxes	3,882
Notes and loans	1,822,946
Due from other governments	462,527
	<hr/>
<b>Total Assets</b>	<b>\$ 16,768,705</b>
	<hr/>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 55,069
Accrued liabilities	6,778
Due to other governments	1,754,946
Due to other funds	22,483
Advances from other funds	36,210
	<hr/>
<b>Total Liabilities</b>	<b>1,875,486</b>
	<hr/>
<b>Deferred Inflows of Resources:</b>	
Unavailable revenues	55,836
	<hr/>
<b>Total Deferred Inflows of Resources</b>	<b>55,836</b>
	<hr/>
<b>Fund Balances:</b>	
<b>Nonspendable:</b>	
Notes and loans	68,000
<b>Restricted for:</b>	
Community development projects	2,943,341
Public safety	1,141,393
Public works	3,442,745
Capital projects	7,331,875
<b>Unassigned</b>	(89,971)
	<hr/>
<b>Total Fund Balances</b>	<b>14,837,383</b>
	<hr/>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 16,768,705</b>
	<hr/> <hr/>

## CITY OF BREA

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	<b>Special Revenue Funds</b>			
	<b>Gas Tax</b>	<b>Narcotics Enforcement Asset Seizure</b>	<b>Air Quality Improvement</b>	<b>Park Development</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,299,517	-	51,285	-
Charges for services	-	-	-	29,454
Investment income	18,190	15,786	1,313	10,000
Fines and forfeitures	-	214,772	-	-
Miscellaneous	-	1,458	-	-
<b>Total Revenues</b>	<b>1,317,707</b>	<b>232,016</b>	<b>52,598</b>	<b>39,454</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	554,538	-	-
Community development	-	-	-	-
Public works	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>554,538</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,317,707	(322,522)	52,598	39,454
<b>Other Financing Sources (Uses):</b>				
Transfers out	(2,199,724)	-	-	-
Sale of capital assets	-	7,460	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(2,199,724)</b>	<b>7,460</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(882,017)	(315,062)	52,598	39,454
Fund Balances, Beginning of Year	1,818,648	1,456,455	102,167	808,562
<b>Fund Balances, End of Year</b>	<b>\$ 936,631</b>	<b>\$ 1,141,393</b>	<b>\$ 154,765</b>	<b>\$ 848,016</b>

## CITY OF BREA

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

(CONTINUED)

	Special Revenue Funds			
	Measure M	Affordable Housing Fund	Community Development Block Grant	HOME Program
<b>Revenues:</b>				
Taxes	\$ 900,062	\$ -	\$ -	\$ -
Intergovernmental	-	-	171,513	-
Charges for services	-	-	-	-
Investment income	10,607	24,823	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	90,472	-	-
<b>Total Revenues</b>	<b>910,669</b>	<b>115,295</b>	<b>171,513</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	116,884	-
Public works	28,161	-	-	-
<b>Total Expenditures</b>	<b>28,161</b>	<b>-</b>	<b>116,884</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	882,508	115,295	54,629	-
<b>Other Financing Sources (Uses):</b>				
Transfers out	(1,093,709)	-	(7,170)	-
Sale of capital assets	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,093,709)</b>	<b>-</b>	<b>(7,170)</b>	<b>-</b>
Net Change in Fund Balances	(211,201)	115,295	47,459	-
Fund Balances, Beginning of Year	788,775	2,048,030	(103,407)	-
<b>Fund Balances, End of Year</b>	<b>\$ 577,574</b>	<b>\$ 2,163,325</b>	<b>\$ (55,948)</b>	<b>\$ -</b>

## CITY OF BREA

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds	Capital Projects Funds		
	Blackstone CFD	Capital and Mitigation Improvement	Storm Drain	Midbury
<b>Revenues:</b>				
Taxes	\$ 199,468	\$ -	\$ -	\$ 7,694
Intergovernmental	-	-	-	-
Charges for services	-	-	22,869	-
Investment income	20,616	-	11,173	48
Fines and forfeitures	-	-	-	-
Miscellaneous	3,479	-	-	-
<b>Total Revenues</b>	<b>223,563</b>	<b>-</b>	<b>34,042</b>	<b>7,742</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	520
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	180,940	-	-	-
<b>Total Expenditures</b>	<b>180,940</b>	<b>-</b>	<b>-</b>	<b>520</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	42,623	-	34,042	7,222
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	(180,860)	(784,151)	-
Sale of capital assets	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(180,860)</b>	<b>(784,151)</b>	<b>-</b>
Net Change in Fund Balances	42,623	(180,860)	(750,109)	7,222
Fund Balances, Beginning of Year	1,731,152	7,259,260	1,003,584	(41,245)
<b>Fund Balances, End of Year</b>	<b>\$ 1,773,775</b>	<b>\$ 7,078,400</b>	<b>\$ 253,475</b>	<b>\$ (34,023)</b>

CITY OF BREA

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

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	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>	
Taxes	\$ 1,107,224
Intergovernmental	1,522,315
Charges for services	52,323
Investment income	112,556
Fines and forfeitures	214,772
Miscellaneous	95,409
	<hr/>
<b>Total Revenues</b>	<b>3,104,599</b>
	<hr/>
<b>Expenditures:</b>	
Current:	
General government	520
Public safety	554,538
Community development	116,884
Public works	209,101
	<hr/>
<b>Total Expenditures</b>	<b>881,043</b>
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,223,556
	<hr/>
<b>Other Financing Sources (Uses):</b>	
Transfers out	(4,265,614)
Sale of capital assets	7,460
	<hr/>
<b>Total Other Financing Sources (Uses)</b>	<b>(4,258,154)</b>
	<hr/>
Net Change in Fund Balances	(2,034,598)
Fund Balances, Beginning of Year	16,871,981
	<hr/>
<b>Fund Balances, End of Year</b>	<b>\$ 14,837,383</b>
	<hr/> <hr/>

CITY OF BREA

**BUDGETARY COMPARISON SCHEDULE  
GAS TAX  
YEAR ENDED JUNE 30, 2014**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 1,818,648	\$ 1,818,648	\$ 1,818,648	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,110,000	1,110,000	1,299,517	189,517
Investment income	10,000	10,000	18,190	8,190
<b>Amounts Available for Appropriations</b>	<b>2,938,648</b>	<b>2,938,648</b>	<b>3,136,355</b>	<b>197,707</b>
<b>Charges to Appropriations (Outflow):</b>				
Transfers out	2,553,500	2,771,635	2,199,724	571,911
<b>Total Charges to Appropriations</b>	<b>2,553,500</b>	<b>2,771,635</b>	<b>2,199,724</b>	<b>571,911</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 385,148</b>	<b>\$ 167,013</b>	<b>\$ 936,631</b>	<b>\$ 769,618</b>

CITY OF BREA

**BUDGETARY COMPARISON SCHEDULE  
NARCOTICS ENFORCEMENT ASSET SEIZURE  
YEAR ENDED JUNE 30, 2014**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 1,456,455	\$ 1,456,455	\$ 1,456,455	\$ -
<b>Resources (Inflows):</b>				
Investment income	24,500	24,500	15,786	(8,714)
Fines and forfeitures	275,000	275,000	214,772	(60,228)
Miscellaneous	-	-	1,458	1,458
Proceeds from sale of capital asset	-	-	7,460	7,460
<b>Amounts Available for Appropriations</b>	<b>1,755,955</b>	<b>1,755,955</b>	<b>1,695,931</b>	<b>(60,024)</b>
<b>Charges to Appropriations (Outflow):</b>				
Public safety	475,518	640,670	554,538	86,132
<b>Total Charges to Appropriations</b>	<b>475,518</b>	<b>640,670</b>	<b>554,538</b>	<b>86,132</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,280,437</b>	<b>\$ 1,115,285</b>	<b>\$ 1,141,393</b>	<b>\$ 26,108</b>

CITY OF BREA

**BUDGETARY COMPARISON SCHEDULE  
AIR QUALITY IMPROVEMENT  
YEAR ENDED JUNE 30, 2014**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 102,167	\$ 102,167	\$ 102,167	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	44,000	44,000	51,285	7,285
Investment income	1,200	1,200	1,313	113
<b>Amounts Available for Appropriations</b>	<b>147,367</b>	<b>147,367</b>	<b>154,765</b>	<b>7,398</b>
<b>Charges to Appropriations (Outflow):</b>				
Transfers out	-	110,000	-	110,000
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>110,000</b>	<b>-</b>	<b>110,000</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 147,367</b>	<b>\$ 37,367</b>	<b>\$ 154,765</b>	<b>\$ 117,398</b>

CITY OF BREA

**BUDGETARY COMPARISON SCHEDULE  
PARK DEVELOPMENT  
YEAR ENDED JUNE 30, 2014**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 808,562	\$ 808,562	\$ 808,562	\$ -
<b>Resources (Inflows):</b>				
Charges for services	720,000	720,000	29,454	(690,546)
Investment income	5,600	5,600	10,000	4,400
<b>Amounts Available for Appropriations</b>	<b>1,534,162</b>	<b>1,534,162</b>	<b>848,016</b>	<b>(686,146)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,534,162</b>	<b>\$ 1,534,162</b>	<b>\$ 848,016</b>	<b>\$ (686,146)</b>

CITY OF BREA

**BUDGETARY COMPARISON SCHEDULE  
MEASURE M  
YEAR ENDED JUNE 30, 2014**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 788,775	\$ 788,775	\$ 788,775	\$ -
<b>Resources (Inflows):</b>				
Taxes	665,000	665,000	900,062	235,062
Investment income	5,000	5,000	10,607	5,607
<b>Amounts Available for Appropriations</b>	<b>1,458,775</b>	<b>1,458,775</b>	<b>1,699,444</b>	<b>240,669</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	21,321	28,151	28,161	(10)
Transfers out	1,258,633	1,247,682	1,093,709	153,973
<b>Total Charges to Appropriations</b>	<b>1,279,954</b>	<b>1,275,833</b>	<b>1,121,870</b>	<b>153,963</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 178,821</b>	<b>\$ 182,942</b>	<b>\$ 577,574</b>	<b>\$ 394,632</b>

CITY OF BREA

**BUDGETARY COMPARISON SCHEDULE  
AFFORDABLE HOUSING FUND  
YEAR ENDED JUNE 30, 2014**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$2,048,030	\$ 2,048,030	\$ 2,048,030	\$ -
<b>Resources (Inflows):</b>				
Investment income	35,000	35,000	24,823	(10,177)
Miscellaneous	140,000	140,000	90,472	(49,528)
<b>Amounts Available for Appropriations</b>	<b>2,223,030</b>	<b>2,223,030</b>	<b>2,163,325</b>	<b>(59,705)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$2,223,030</b>	<b>\$ 2,223,030</b>	<b>\$ 2,163,325</b>	<b>\$ (59,705)</b>

CITY OF BREA

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY DEVELOPMENT BLOCK GRANT  
YEAR ENDED JUNE 30, 2014**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ (103,407)	\$ (103,407)	\$ (103,407)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	180,000	189,143	171,513	(17,630)
<b>Amounts Available for Appropriations</b>	<b>76,593</b>	<b>85,736</b>	<b>68,106</b>	<b>(17,630)</b>
<b>Charges to Appropriations (Outflow):</b>				
Community development	180,000	180,000	116,884	63,116
Transfers out	-	9,143	7,170	1,973
<b>Total Charges to Appropriations</b>	<b>180,000</b>	<b>189,143</b>	<b>124,054</b>	<b>65,089</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (103,407)</b>	<b>\$ (103,407)</b>	<b>\$ (55,948)</b>	<b>\$ 47,459</b>

CITY OF BREA

**BUDGETARY COMPARISON SCHEDULE  
BLACKSTONE CFD  
YEAR ENDED JUNE 30, 2014**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 1,731,152	\$ 1,731,152	\$ 1,731,152	\$ -
<b>Resources (Inflows):</b>				
Taxes	216,000	216,000	199,468	(16,532)
Investment income	27,000	27,000	20,616	(6,384)
Miscellaneous	-	-	3,479	3,479
<b>Amounts Available for Appropriations</b>	<b>1,974,152</b>	<b>1,974,152</b>	<b>1,954,715</b>	<b>(19,437)</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	189,665	189,665	180,940	8,725
<b>Total Charges to Appropriations</b>	<b>189,665</b>	<b>189,665</b>	<b>180,940</b>	<b>8,725</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,784,487</b>	<b>\$ 1,784,487</b>	<b>\$ 1,773,775</b>	<b>\$ (10,712)</b>

## CITY OF BREA

**BUDGETARY COMPARISON SCHEDULE  
 CAPITAL IMPROVEMENTS  
 YEAR ENDED JUNE 30, 2014**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 13,554,824	\$ 13,554,824	\$ 13,554,824	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	4,509,607	11,026,236	746,319	(10,279,917)
Charges for services	387,000	387,000	1,806,306	1,419,306
Investment income	200,000	200,000	160,356	(39,644)
Contributions	3,534,000	3,534,000	199,811	(3,334,189)
Transfers in	10,052,053	11,926,897	4,356,452	(7,570,445)
<b>Amounts Available for Appropriations</b>	<b>32,237,484</b>	<b>40,628,957</b>	<b>20,824,068</b>	<b>(19,804,889)</b>
<b>Charges to Appropriations (Outflow):</b>				
General government	96,170	96,170	92,044	4,126
Community development	400	400	-	400
Public works	283,103	283,103	852	282,251
Capital outlay	21,281,520	31,390,292	7,350,289	24,040,003
<b>Total Charges to Appropriations</b>	<b>21,661,193</b>	<b>31,769,965</b>	<b>7,443,185</b>	<b>24,326,780</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 10,576,291</b>	<b>\$ 8,858,992</b>	<b>\$ 13,380,883</b>	<b>\$ 4,521,891</b>

CITY OF BREA

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL AND MITIGATION IMPROVEMENT  
YEAR ENDED JUNE 30, 2014**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	<u>\$7,259,260</u>	<u>\$ 7,259,260</u>	<u>\$ 7,259,260</u>	<u>\$ -</u>
<b>Amounts Available for Appropriations</b>	<b><u>7,259,260</u></b>	<b><u>7,259,260</u></b>	<b><u>7,259,260</u></b>	<b><u>-</u></b>
<b>Charges to Appropriations (Outflow):</b>				
Transfers out	<u>2,025,000</u>	<u>2,170,688</u>	<u>180,860</u>	<u>1,989,828</u>
<b>Total Charges to Appropriations</b>	<b><u>2,025,000</u></b>	<b><u>2,170,688</u></b>	<b><u>180,860</u></b>	<b><u>1,989,828</u></b>
<b>Budgetary Fund Balance, June 30</b>	<b><u>\$5,234,260</u></b>	<b><u>\$ 5,088,572</u></b>	<b><u>\$ 7,078,400</u></b>	<b><u>\$ 1,989,828</u></b>

CITY OF BREA

**BUDGETARY COMPARISON SCHEDULE  
STORM DRAIN  
YEAR ENDED JUNE 30, 2014**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$1,003,584	\$ 1,003,584	\$ 1,003,584	\$ -
<b>Resources (Inflows):</b>				
Charges for services	-	-	22,869	22,869
Investment income	16,000	16,000	11,173	(4,827)
<b>Amounts Available for Appropriations</b>	<b>1,019,584</b>	<b>1,019,584</b>	<b>1,037,626</b>	<b>18,042</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	10,000	10,000	-	10,000
Transfers out	875,000	1,004,193	784,151	220,042
<b>Total Charges to Appropriations</b>	<b>885,000</b>	<b>1,014,193</b>	<b>784,151</b>	<b>230,042</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 134,584</b>	<b>\$ 5,391</b>	<b>\$ 253,475</b>	<b>\$ 248,084</b>

CITY OF BREA

**BUDGETARY COMPARISON SCHEDULE  
MIDBURY  
YEAR ENDED JUNE 30, 2014**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ (41,245)	\$ (41,245)	\$ (41,245)	\$ -
<b>Resources (Inflows):</b>				
Taxes	7,328	7,328	7,694	366
Investment income	100	100	48	(52)
<b>Amounts Available for Appropriations</b>	<b>(33,817)</b>	<b>(33,817)</b>	<b>(33,503)</b>	<b>314</b>
<b>Charges to Appropriations (Outflow):</b>				
General government	500	500	520	(20)
<b>Total Charges to Appropriations</b>	<b>500</b>	<b>500</b>	<b>520</b>	<b>(20)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (34,317)</b>	<b>\$ (34,317)</b>	<b>\$ (34,023)</b>	<b>\$ 294</b>

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## NON-MAJOR PROPRIETARY FUNDS

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The ***Urban Runoff Fund*** is used to account for the City's urban runoff operations, which are financed and operated in a manner similar to a private enterprise. The costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

The ***Sanitation Fund*** is used to account for the City's refuse collection and street sweeping operations, which are operated in a manner similar to a private enterprise. User charges finance the operations of this fund.

The ***Information Technology External Support Fund*** is used to account for the operations of the Information Technology Division's contractual information technology services to other agencies. The costs (expenses including depreciation) of providing these services to member cities on a continuing basis are financed or recovered primarily through user charges.

## CITY OF BREA

**COMBINING STATEMENT OF NET POSITION  
 NONMAJOR PROPRIETARY FUNDS  
 JUNE 30, 2014**

	<u>Urban Runoff</u>	<u>Sanitation</u>	<u>Information Technology External Support</u>	<u>Total</u>
<b>Assets:</b>				
Current:				
Cash and investments	\$ 506,274	\$ -	\$ 314,458	\$ 820,732
Accounts receivable	55,453	576,004	-	631,457
Due from other governments	-	10,968	226,608	237,576
<b>Total Current Assets</b>	<b>561,727</b>	<b>586,972</b>	<b>541,066</b>	<b>1,689,765</b>
Noncurrent:				
Capital assets - net of accumulated depreciation	5,078	-	4,450	9,528
<b>Total Noncurrent Assets</b>	<b>5,078</b>	<b>-</b>	<b>4,450</b>	<b>9,528</b>
<b>Total Assets</b>	<b>\$ 566,805</b>	<b>\$ 586,972</b>	<b>\$ 545,516</b>	<b>\$ 1,699,293</b>
<b>Liabilities and Net Position:</b>				
<b>Liabilities:</b>				
Current:				
Accounts payable	\$ 1,210	\$ 190,664	\$ 2,750	\$ 194,624
Accrued liabilities	2,213	8,923	22,843	33,979
Due to other funds	-	589,020	-	589,020
Accrued compensated absences, due within one year	-	10,809	63,818	74,627
<b>Total Current Liabilities</b>	<b>3,423</b>	<b>799,416</b>	<b>89,411</b>	<b>892,250</b>
Noncurrent:				
Accrued compensated absences, due in more than one year	-	3,603	21,273	24,876
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>3,603</b>	<b>21,273</b>	<b>24,876</b>
<b>Total Liabilities</b>	<b>3,423</b>	<b>803,019</b>	<b>110,684</b>	<b>917,126</b>
<b>Net Position:</b>				
Investment in capital assets	5,078	-	4,450	9,528
Unrestricted	558,304	(216,047)	430,382	772,639
<b>Total Net Position</b>	<b>563,382</b>	<b>(216,047)</b>	<b>434,832</b>	<b>782,167</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 566,805</b>	<b>\$ 586,972</b>	<b>\$ 545,516</b>	<b>\$ 1,699,293</b>

CITY OF BREA

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014**

	<u>Urban Runoff</u>	<u>Sanitation</u>	<u>Information Technology External Support</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Charges for services	\$ 364,166	\$ 3,216,794	\$ 1,472,730	\$ 5,053,690
Miscellaneous	16,090	100,389	-	116,479
<b>Total Operating Revenues</b>	<b>380,256</b>	<b>3,317,183</b>	<b>1,472,730</b>	<b>5,170,169</b>
<b>Operating Expenses:</b>				
Personnel services	205,418	441,748	1,137,438	1,784,604
Maintenance and operation	105,024	2,421,572	104,570	2,631,166
Depreciation expense	938	-	1,075	2,013
<b>Total Operating Expenses</b>	<b>311,380</b>	<b>2,863,320</b>	<b>1,243,083</b>	<b>4,417,783</b>
Operating Income (Loss)	68,876	453,863	229,647	752,386
<b>Nonoperating Revenues (Expenses):</b>				
Intergovernmental	-	11,371	-	11,371
Interest revenue	5,788	(7,267)	2,888	1,409
<b>Total Nonoperating Revenues (Expenses)</b>	<b>5,788</b>	<b>4,104</b>	<b>2,888</b>	<b>12,780</b>
Income (Loss) Before Transfers	74,664	457,967	232,535	765,166
Transfers out	(9,049)	(470,000)	(150,000)	(629,049)
Changes in Net Position	65,615	(12,033)	82,535	136,117
<b>Net Position:</b>				
Beginning of Year	497,767	(204,014)	352,297	646,050
<b>End of Fiscal Year</b>	<b>\$ 563,382</b>	<b>\$ (216,047)</b>	<b>\$ 434,832</b>	<b>\$ 782,167</b>

CITY OF BREA

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014**

	<u>Urban Runoff</u>	<u>Sanitation</u>	<u>Information Technology External Support</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 378,197	\$ 3,304,896	\$ 1,463,015	\$ 5,146,108
Cash paid to suppliers for goods and services	(104,843)	(2,417,525)	(105,058)	(2,627,426)
Cash paid to employees for services	(208,924)	(439,024)	(1,142,214)	(1,790,162)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>64,430</b>	<b>448,347</b>	<b>215,743</b>	<b>728,520</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash transfers out for noncapital financing activities	(9,049)	(470,000)	(150,000)	(629,049)
Repayment received from other funds	-	17,420	-	17,420
Grant subsidy	-	11,371	-	11,371
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(9,049)</b>	<b>(441,209)</b>	<b>(150,000)</b>	<b>(600,258)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	5,788	(7,267)	2,888	1,409
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>5,788</b>	<b>(7,267)</b>	<b>2,888</b>	<b>1,409</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>61,169</b>	<b>(129)</b>	<b>68,631</b>	<b>129,671</b>
Cash and Cash Equivalents at Beginning of Year	445,105	129	245,827	691,061
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 506,274</b>	<b>\$ -</b>	<b>\$ 314,458</b>	<b>\$ 820,732</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 68,876	\$ 453,863	\$ 229,647	\$ 752,386
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Depreciation	938	-	1,075	2,013
(Increase) decrease in accounts receivable	(2,059)	(1,319)	9,922	6,544
(Increase) decrease in due from other governments	-	(10,968)	(19,637)	(30,605)
Increase (decrease) in accounts payable	181	4,047	(488)	3,740
Increase (decrease) in accrued liabilities	(1,031)	1,219	1,085	1,273
Increase (decrease) in compensated absences	(2,475)	1,505	(5,861)	(6,831)
<b>Total Adjustments</b>	<b>(4,446)</b>	<b>(5,516)</b>	<b>(13,904)</b>	<b>(23,866)</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 64,430</b>	<b>\$ 448,347</b>	<b>\$ 215,743</b>	<b>\$ 728,520</b>

**Non-Cash Investing, Capital, and Financing Activities:**

There was no non-cash investing, capital or financing activities during fiscal year 2013-2014.

## INTERNAL SERVICE FUNDS

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The ***Risk Management Fund*** is used to account for costs of operating a self-insurance program for general liability, workers' compensation, long-term disability and unemployment compensation. Such costs to other departments are billed at a predetermined rate set annually during the budget process.

The ***Vehicle Maintenance Fund*** is used to account for the costs of operating a maintenance facility for automotive equipment used by other City departments. Such costs to other departments are billed at a predetermined cost per mile charge that includes depreciation. This charge is set annually during the budget process. The Vehicle Maintenance Fund is responsible for financing replacement vehicles, as necessary.

The ***Building Occupancy Fund*** is used to account for costs of operating a building maintenance program for City facilities. Such costs to other departments are billed at a predetermined rate set annually during the budget process.

## CITY OF BREA

**COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2014**

	<u>Risk Management</u>	<u>Vehicle Maintenance</u>	<u>Building Occupancy</u>	<u>Total</u>
<b>Assets:</b>				
Current:				
Cash and investments	\$ 2,458,811	\$ 1,396,555	\$ 714,498	\$ 4,569,864
Accounts receivable	-	13,149	-	13,149
Due from other governments	2,000	2,400	-	4,400
<b>Total Current Assets</b>	<b>2,460,811</b>	<b>1,412,104</b>	<b>714,498</b>	<b>4,587,413</b>
Noncurrent:				
Advances to other funds	2,583,621	-	-	2,583,621
Capital assets - net of accumulated depreciation	-	3,749,602	1,139,974	4,889,576
<b>Total Noncurrent Assets</b>	<b>2,583,621</b>	<b>3,749,602</b>	<b>1,139,974</b>	<b>7,473,197</b>
<b>Total Assets</b>	<b>\$ 5,044,432</b>	<b>\$ 5,161,706</b>	<b>\$ 1,854,472</b>	<b>\$ 12,060,610</b>
<b>Liabilities and Net Position:</b>				
<b>Liabilities:</b>				
Current:				
Accounts payable	\$ 14,591	\$ 66,000	\$ 193,314	\$ 273,905
Accrued liabilities	3,924	11,931	14,286	30,141
Accrued interest	-	-	9,957	9,957
Accrued compensated absences, due within one year	-	25,793	35,828	61,621
Accrued claims and judgments, due within one year	1,198,119	-	-	1,198,119
Bonds, notes, and capital leases, due within one year	-	-	146,719	146,719
<b>Total Current Liabilities</b>	<b>1,216,634</b>	<b>103,724</b>	<b>400,104</b>	<b>1,720,462</b>
Noncurrent:				
Accrued compensated absences, due in more than one year	-	8,598	11,942	20,540
Accrued claims and judgments, due in more than one year	3,084,288	-	-	3,084,288
Bonds, notes, and capital leases, due in more than one year	-	-	482,690	482,690
<b>Total Noncurrent Liabilities</b>	<b>3,084,288</b>	<b>8,598</b>	<b>494,632</b>	<b>3,587,518</b>
<b>Total Liabilities</b>	<b>4,300,922</b>	<b>112,322</b>	<b>894,736</b>	<b>5,307,980</b>
<b>Net Position:</b>				
Net investment in capital assets	-	3,749,602	510,565	4,260,167
Unrestricted	743,510	1,299,782	449,171	2,492,463
<b>Total Net Position</b>	<b>743,510</b>	<b>5,049,384</b>	<b>959,736</b>	<b>6,752,630</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 5,044,432</b>	<b>\$ 5,161,706</b>	<b>\$ 1,854,472</b>	<b>\$ 12,060,610</b>

## CITY OF BREA

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2014**

	<b>Risk Management</b>	<b>Vehicle Maintenance</b>	<b>Building Occupancy</b>	<b>Total</b>
<b>Operating Revenues:</b>				
Charge for services	\$ 2,882,256	\$ 2,261,170	\$ 2,246,808	\$ 7,390,234
Miscellaneous	59,708	67,319	-	127,027
<b>Total Operating Revenues</b>	<b>2,941,964</b>	<b>2,328,489</b>	<b>2,246,808</b>	<b>7,517,261</b>
<b>Operating Expenses:</b>				
Personnel services	188,065	542,251	660,339	1,390,655
Maintenance and operation	1,323,781	993,071	1,711,172	4,028,024
Claims and judgments	661,661	-	-	661,661
Depreciation expense	-	663,051	92,194	755,245
<b>Total Operating Expenses</b>	<b>2,173,507</b>	<b>2,198,373</b>	<b>2,463,705</b>	<b>6,835,585</b>
Operating Income (Loss)	768,457	130,116	(216,897)	681,676
<b>Nonoperating Revenues (Expenses):</b>				
Intergovernmental	-	-	69,290	69,290
Interest revenue	30,891	13,380	6,338	50,609
Interest expense	-	-	(31,810)	(31,810)
Gain (loss) on disposal of capital assets	-	59,441	-	59,441
<b>Total Nonoperating Revenues (Expenses)</b>	<b>30,891</b>	<b>72,821</b>	<b>43,818</b>	<b>147,530</b>
Income (Loss) Before Transfers	799,348	202,937	(173,079)	829,206
Transfers in	-	-	302,000	302,000
Transfers out	(260,000)	(56,064)	(50,000)	(366,064)
Changes in Net Position	539,348	146,873	78,921	765,142
<b>Net Position:</b>				
Beginning of Year	204,162	4,902,511	880,815	5,987,488
<b>End of Fiscal Year</b>	<b>\$ 743,510</b>	<b>\$ 5,049,384</b>	<b>\$ 959,736</b>	<b>\$ 6,752,630</b>

## CITY OF BREA

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2014**

	Risk Management	Vehicle Maintenance	Building Occupancy	Total
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 3,107,165	\$ 2,317,899	\$ 2,252,852	\$ 7,677,916
Cash paid to suppliers for goods and services	(2,146,396)	(1,337,292)	(1,561,709)	(5,045,397)
Cash paid to employees for services	(849,726)	(534,781)	(650,908)	(2,035,415)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>111,043</b>	<b>445,826</b>	<b>40,235</b>	<b>597,104</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash transfers out for noncapital financing activities	(260,000)	(56,064)	(50,000)	(366,064)
Cash transfers in for noncapital financing activities	-	-	302,000	302,000
Advances received from other funds	568,166	-	-	568,166
Grant subsidy	-	-	69,290	69,290
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>308,166</b>	<b>(56,064)</b>	<b>321,290</b>	<b>573,392</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	-	(333,379)	(16,106)	(349,485)
Proceeds from sales of capital assets	-	62,380	-	62,380
Principal paid on capital debt	-	-	(140,155)	(140,155)
Interest paid on capital debt	-	-	(34,027)	(34,027)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>(270,999)</b>	<b>(190,288)</b>	<b>(461,287)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	30,891	13,380	6,338	50,609
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>30,891</b>	<b>13,380</b>	<b>6,338</b>	<b>50,609</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>450,100</b>	<b>132,143</b>	<b>177,575</b>	<b>759,818</b>
Cash and Cash Equivalents at Beginning of Year	2,008,711	1,264,412	536,923	3,810,046
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,458,811</b>	<b>\$ 1,396,555</b>	<b>\$ 714,498</b>	<b>\$ 4,569,864</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 768,457	\$ 130,116	\$ (216,897)	\$ 681,676
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Depreciation	-	663,051	92,194	755,245
(Increase) decrease in accounts receivable	50,089	(13,149)	-	36,940
(Increase) decrease in due from other governments	115,112	2,559	6,044	123,715
Increase (decrease) in accounts payable	(33,902)	(345,173)	146,741	(232,334)
Increase (decrease) in accrued liabilities	378	952	2,722	4,052
Increase (decrease) in claims and judgments	(789,091)	-	-	(789,091)
Increase (decrease) in compensated absences	-	7,470	9,431	16,901
<b>Total Adjustments</b>	<b>(657,414)</b>	<b>315,710</b>	<b>257,132</b>	<b>(84,572)</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 111,043</b>	<b>\$ 445,826</b>	<b>\$ 40,235</b>	<b>\$ 597,104</b>

**Non-Cash Investing, Capital, and Financing Activities:**

There was no non-cash investing, capital or financing activities during fiscal year 2013-2014.

## FIDUCIARY FUNDS

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The ***Fairway Center Community Facilities District 1988-1 Fund*** is an Agency Fund used to account for the collection and payment to the holders of the 2003 Special Tax Refunding Bonds. The outstanding balance was paid in full as of June 30, 2014.

The ***Bexley Assessment District 2001-1 Fund*** is an Agency Fund used to account for the collection and payment of neighborhood sewer improvements.

The ***Hillside Open Space Education Coalition*** is an Agency Fund used to account for the funds received to educate the public as to the importance of hillside preservation.

The ***Imperial Center East Community Facilities District 1990-1 Fund*** is an Agency Fund used to account for the collection and payment to the holders of the 1999 Special Tax Note.

The ***Downtown Community Facilities District 1996-1 Fund*** is an Agency Fund used to account for the collection and payment to the holders of the 1997 Special Tax Bonds.

The ***Olinda Heights Community Facilities District 1997-1 Fund*** is an Agency Fund used to account for the collection and payment to the holders of the 2005 Special Tax Bonds.

The ***Brea Plaza Community Facilities District 2008-02 Fund*** is an Agency Fund used to account for the collection and payment to the holders of the 2009 Special Tax Bonds.

The ***Integrated Law and Justice Agency of Orange County (ILJAOC) Fund*** is an Agency Fund used to account for the collection and payment related to a joint venture agreement with several other public agencies of Orange County. The City acts as a treasurer for the ILJAOC.

CITY OF BREA

COMBINING BALANCE SHEET  
 ALL AGENCY FUNDS  
 JUNE 30, 2014

	Fairway Center	Bexley	Hillside Open Space Education Coalition	Imperial Center East
<b>Assets:</b>				
Cash and investments	\$ -	\$ -	\$ 520,216	\$ 274,775
Receivables:				
Accounts	-	30,572	-	-
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 30,572</b>	<b>\$ 520,216</b>	<b>\$ 274,775</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	520,216	274,775
Deposits payable	-	-	-	-
Due to City of Brea	-	30,572	-	-
Due to external parties/other agencies	-	-	-	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 30,572</b>	<b>\$ 520,216</b>	<b>\$ 274,775</b>

CITY OF BREA

COMBINING BALANCE SHEET  
ALL AGENCY FUNDS  
JUNE 30, 2014

	Downtown Community Facilities District	Olinda Heights	Brea Plaza	ILJAO	Total
<b>Assets:</b>					
Cash and investments	\$ 258,225	\$ 277,229	\$ 343,198	\$ 2,793,633	\$ 4,467,276
Receivables:					
Accounts	-	-	-	24,906	55,478
Taxes	-	10,713	-	-	10,713
Due from other governments	-	-	-	635,580	635,580
Restricted assets:					
Cash and investments with fiscal agents	163,004	459,608	829,538	-	1,452,150
<b>Total Assets</b>	<b>\$ 421,229</b>	<b>\$ 747,550</b>	<b>\$ 1,172,736</b>	<b>\$ 3,454,119</b>	<b>\$ 6,621,197</b>
<b>Liabilities:</b>					
Accounts payable	\$ 1,497	\$ 43	\$ 77	\$ 674,357	\$ 675,974
Accrued liabilities	-	600	319	-	795,910
Deposits payable	-	-	-	262,077	262,077
Due to City of Brea	-	-	-	-	30,572
Due to external parties/other agencies	419,732	746,907	1,172,340	2,517,685	4,856,664
<b>Total Liabilities</b>	<b>\$ 421,229</b>	<b>\$ 747,550</b>	<b>\$ 1,172,736</b>	<b>\$ 3,454,119</b>	<b>\$ 6,621,197</b>

CITY OF BREA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2014

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2014</u>
<b><u>Fairway Center</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 137,361	\$ 1,675,283	\$ 1,812,644	\$ -
Restricted assets:				
Cash and investments with fiscal agents	206,535	1,802,737	2,009,272	-
<b>Total Assets</b>	<b>\$ 343,896</b>	<b>\$ 3,478,020</b>	<b>\$3,821,916</b>	<b>\$ -</b>
<b>Liabilities:</b>				
Accounts payable	\$ 19	\$ 10,085	\$ 10,104	\$ -
Accrued liabilities	261	-	261	-
Due to external parties/other agencies	343,616	1,676,661	2,020,277	-
<b>Total Liabilities</b>	<b>\$ 343,896</b>	<b>\$ 1,686,746</b>	<b>\$2,030,642</b>	<b>\$ -</b>
<b><u>Bexley</u></b>				
<b>Assets:</b>				
Cash and investments	\$ -	\$ 13,176	\$ 13,176	\$ -
Receivables:				
Accounts	39,317	5,378	14,123	30,572
Taxes	1,254	-	1,254	-
<b>Total Assets</b>	<b>\$ 40,571</b>	<b>\$ 18,554</b>	<b>\$ 28,553</b>	<b>\$ 30,572</b>
<b>Liabilities:</b>				
Due to City of Brea	\$ 40,153	\$ 3,585	\$ 13,166	\$ 30,572
Due to external parties/other agencies	418	-	418	-
<b>Total Liabilities</b>	<b>\$ 40,571</b>	<b>\$ 3,585</b>	<b>\$ 13,584</b>	<b>\$ 30,572</b>
<b><u>Hillside Open Space Education Coalition</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 513,885	\$ 6,331	\$ -	\$ 520,216
<b>Total Assets</b>	<b>\$ 513,885</b>	<b>\$ 6,331</b>	<b>\$ -</b>	<b>\$ 520,216</b>
<b>Liabilities:</b>				
Accrued liabilities	\$ 513,885	\$ 6,331	\$ -	\$ 520,216
<b>Total Liabilities</b>	<b>\$ 513,885</b>	<b>\$ 6,331</b>	<b>\$ -</b>	<b>\$ 520,216</b>
<b><u>Imperial Center East</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 274,158	\$ 164,127	\$ 163,510	\$ 274,775
<b>Total Assets</b>	<b>\$ 274,158</b>	<b>\$ 164,127</b>	<b>\$ 163,510</b>	<b>\$ 274,775</b>
<b>Liabilities:</b>				
Accrued liabilities	\$ 274,158	\$ 164,127	\$ 163,510	\$ 274,775
<b>Total Liabilities</b>	<b>\$ 274,158</b>	<b>\$ 164,127</b>	<b>\$ 163,510</b>	<b>\$ 274,775</b>

## CITY OF BREA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2014**

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2014</u>
<b><u>Downtown Community Facilities District</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 219,038	\$ 323,261	\$ 284,074	\$ 258,225
Restricted assets:				
Cash and investments with fiscal agents	260,954	1,887,168	1,985,118	163,004
<b>Total Assets</b>	<b><u>\$ 479,992</u></b>	<b><u>\$ 2,210,429</u></b>	<b><u>\$2,269,192</u></b>	<b><u>\$ 421,229</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 243	\$ 21,277	\$ 20,023	\$ 1,497
Accrued liabilities	493	-	493	-
Due to external parties/other agencies	479,256	1,952,226	2,011,750	419,732
<b>Total Liabilities</b>	<b><u>\$ 479,992</u></b>	<b><u>\$ 1,973,503</u></b>	<b><u>\$2,032,266</u></b>	<b><u>\$ 421,229</u></b>
<b><u>Olinda Heights</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 278,689	\$ 488,296	\$ 489,756	\$ 277,229
Receivables:				
Taxes	13,845	10,713	13,845	10,713
Restricted assets:				
Cash and investments with fiscal agents	452,995	447,231	440,618	459,608
<b>Total Assets</b>	<b><u>\$ 745,529</u></b>	<b><u>\$ 946,240</u></b>	<b><u>\$ 944,219</u></b>	<b><u>\$ 747,550</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 41	\$ 17,339	\$ 17,337	\$ 43
Accrued liabilities	493	600	493	600
Due to external parties/other agencies	744,995	495,199	493,287	746,907
<b>Total Liabilities</b>	<b><u>\$ 745,529</u></b>	<b><u>\$ 513,138</u></b>	<b><u>\$ 511,117</u></b>	<b><u>\$ 747,550</u></b>
<b><u>Brea Plaza</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 359,507	\$ 624,883	\$ 641,192	\$ 343,198
Restricted assets:				
Cash and investments with fiscal agents	819,834	627,805	618,101	829,538
<b>Total Assets</b>	<b><u>\$ 1,179,341</u></b>	<b><u>\$ 1,252,688</u></b>	<b><u>\$1,259,293</u></b>	<b><u>\$ 1,172,736</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 75	\$ 6,342	\$ 6,340	\$ 77
Accrued liabilities	261	319	261	319
Due to external parties/other agencies	1,179,005	651,305	657,970	1,172,340
<b>Total Liabilities</b>	<b><u>\$ 1,179,341</u></b>	<b><u>\$ 657,966</u></b>	<b><u>\$ 664,571</u></b>	<b><u>\$ 1,172,736</u></b>

## CITY OF BREA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2014**

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2014</u>
<b><u>ILJAO</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 2,245,467	\$ 1,499,864	\$ 951,698	\$ 2,793,633
Receivables:				
Accounts	26,660	24,906	26,660	24,906
Due from other governments	-	635,580	-	635,580
<b>Total Assets</b>	<b><u>\$ 2,272,127</u></b>	<b><u>\$ 2,160,350</u></b>	<b><u>\$ 978,358</u></b>	<b><u>\$ 3,454,119</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 96,179	\$ 1,336,407	\$ 758,228	\$ 674,358
Deposits payable	-	262,076	-	262,076
Due to external parties/other agencies	2,175,948	1,103,176	761,439	2,517,685
<b>Total Liabilities</b>	<b><u>\$ 2,272,127</u></b>	<b><u>\$ 2,701,659</u></b>	<b><u>\$1,519,667</u></b>	<b><u>\$ 3,454,119</u></b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 4,028,105	\$ 4,795,221	\$4,356,050	\$ 4,467,276
Receivables:				
Accounts	65,977	30,284	40,783	55,478
Taxes	15,099	10,713	15,099	10,713
Restricted assets:				
Cash and investments with fiscal agents	1,740,318	4,764,941	5,053,109	1,452,150
<b>Total Assets</b>	<b><u>\$ 5,849,499</u></b>	<b><u>\$10,236,739</u></b>	<b><u>\$9,465,041</u></b>	<b><u>\$ 6,621,197</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 96,557	\$ 1,391,450	\$ 812,032	\$ 675,975
Accrued liabilities	789,551	171,377	165,018	795,910
Due to City of Brea	40,153	3,585	13,166	30,572
Due to external parties/other agencies	4,923,238	5,878,567	5,945,141	4,856,664
<b>Total Liabilities</b>	<b><u>\$ 5,849,499</u></b>	<b><u>\$ 7,707,055</u></b>	<b><u>\$6,935,357</u></b>	<b><u>\$ 6,621,197</u></b>

## STATISTICAL SECTION

*This part of the City of Brea’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.*

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> <i>These schedules contain trend information to help the reader understand how the city’s financial performance and well-being have changed over time.</i>	125
<b>Revenue Capacity</b> <i>These schedules contain information to help the reader assess the factors affecting the city’s ability to generate its property and sales taxes.</i>	130
<b>Debt Capacity</b> <i>These schedules present information to help the reader assess the affordability of the city’s current levels of outstanding debt and the city’s ability to issue additional debt in the future.</i>	134
<b>Demographic and Economic Information</b> <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city’s financial activities take place.</i>	139
<b>Operating Information</b> <i>These schedules contain information about the city’s operations and resources to help the reader understand how the city’s financial information relates to the services the city provides and the activities it performs.</i>	141

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

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**CITY OF BREA**

**NET POSITION BY COMPONENT  
LAST NINE FISCAL YEARS  
(Accrual basis of accounting)**

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
<b>Governmental Activities</b>									
Net investment in capital assets	\$ 39,535,624	\$ 43,121,285	\$ 44,751,794	\$ 43,350,936	\$ 49,313,284	\$ 40,774,347	\$ 36,846,317	\$ 165,031,654	\$ 164,750,324
Restricted	38,280,689	39,185,059	43,477,959	46,271,092	62,325,348	73,800,755	26,596,796	53,379,627	48,418,876
Unrestricted	(45,118,159)	(35,249,892)	(25,459,519)	(21,203,642)	(34,372,602)	(33,277,968)	157,129,179	29,028,179	30,997,188
Total governmental activities net position	\$ 32,698,154	\$ 47,056,452	\$ 62,770,234	\$ 68,418,386	\$ 77,266,030	\$ 81,297,134	\$ 220,572,292	\$ 247,439,460	\$ 244,166,388
<b>Business-type Activities</b>									
Net investment of capital assets	\$ 36,503,262	\$ 39,952,397	\$ 42,960,060	\$ 44,774,355	45,690,842	27,869,296	36,107,809	36,804,832	31,396,904
Restricted	2,597,925	2,613,592	2,623,071	1,885,573	-	7,028,848	5,217,299	7,411,252	5,213,677
Unrestricted	9,251,051	7,457,416	6,930,527	6,368,112	7,101,987	13,592,110	7,695,077	6,023,885	19,603,041
Total business-type activities net position	\$ 48,352,238	\$ 50,023,405	\$ 52,513,658	\$ 53,028,040	\$ 52,792,829	\$ 48,490,254	\$ 49,020,185	\$ 50,239,969	\$ 56,213,622
<b>Primary Government</b>									
Net investment of capital assets	\$ 76,038,886	\$ 83,073,682	\$ 87,711,854	\$ 88,125,291	\$ 95,004,126	\$ 68,643,643	\$ 72,954,126	\$ 201,836,486	\$ 196,147,228
Restricted	40,878,614	41,798,651	46,101,030	48,156,665	62,325,348	80,829,603	31,814,095	60,790,879	53,632,553
Unrestricted	(35,867,108)	(27,792,476)	(18,528,992)	(14,835,530)	(27,270,615)	(19,685,858)	164,824,256	35,052,064	50,600,229
Total primary government net position	\$ 81,050,392	\$ 97,079,857	\$ 115,283,892	\$ 121,446,426	\$ 130,058,859	\$ 129,787,388	\$ 269,592,477	\$ 297,679,429	\$ 300,380,010

As provided in GASB Statement 44, the City of Brea has elected to report fiscal years beginning 2005-06 and forward.

**CITY OF BREA**

**CHANGES IN NET POSITION  
LAST NINE FISCAL YEARS  
(Accrual basis of accounting)**

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
<b>Expenses:</b>									
Governmental activities:									
General government	\$ 15,921,216	\$ 12,437,009	\$ 10,179,967	\$ 11,501,616	\$ 8,516,391	\$ 7,530,948	\$ 9,747,589	\$ 7,495,185	\$ 7,352,190
Public safety	29,615,376	30,785,379	34,611,575	36,993,799	35,756,811	36,221,221	39,166,833	35,849,288	31,408,789
Community Development	11,235,023	10,488,918	7,623,158	9,214,020	17,213,948	11,056,047	2,312,830	2,615,088	5,201,569
Community services	5,374,163	6,316,665	6,659,386	6,907,228	6,154,495	6,106,128	6,623,220	6,622,332	7,023,682
Public Works	3,782,973	4,033,064	8,836,925	10,608,001	7,075,358	19,991,034	15,240,604	9,718,841	10,092,864
Interest on long-term debt	9,795,463	9,379,808	9,142,551	8,779,300	9,607,504	9,228,093	2,414,053	501,265	458,021
Total governmental activities expenses	75,724,214	73,440,843	77,053,562	84,003,964	84,324,547	90,133,471	75,505,129	62,801,999	61,537,115
<b>Business-type activities:</b>									
Urban run-off	-	200,158	174,302	226,256	284,692	244,479	269,518	288,517	310,717
Water utility	9,854,572	11,220,538	11,195,152	11,272,767	14,025,354	14,067,772	15,512,551	14,883,425	16,048,442
Sewer utility	674,799	698,152	758,958	1,307,733	1,073,775	1,080,134	1,227,087	1,353,552	1,525,820
Sanitation	2,201,668	2,289,888	2,348,281	2,444,076	2,486,588	2,565,324	2,706,954	2,789,289	2,849,515
Information Technology External Support	1,245,054	898,850	979,157	1,329,165	1,958,140	1,230,704	1,269,800	1,271,540	1,228,919
Total business-type activities expenses	13,976,093	15,307,586	15,455,850	16,579,997	19,828,549	19,188,413	20,985,910	20,586,323	21,963,413
Total primary government expenses	\$ 89,700,307	\$ 88,748,429	\$ 92,509,412	\$ 100,583,961	\$ 104,153,096	\$ 109,321,884	\$ 96,491,039	\$ 83,388,322	\$ 83,500,528
<b>Program Revenues:</b>									
Governmental activities:									
Charges for services:									
General government	\$ 330,736	\$ 604,856	\$ 1,036,421	\$ 1,013,985	\$ 730,875	\$ 433,932	\$ 2,177,602	\$ 1,890,749	\$ 1,631,098
Public safety	10,955,628	11,192,257	12,201,407	12,624,891	13,651,052	12,878,402	13,155,339	7,315,925	1,533,213
Community Development	861,624	1,041,275	783,633	21,926	604,565	567,237	583,339	1,535,351	1,092,041
Community services	2,833,247	2,856,575	3,015,379	3,074,717	3,304,933	2,248,603	1,737,725	3,638,056	4,672,523
Public Works	686,196	553,802	484,085	490,302	469,533	2,262,329	1,955,188	1,688,142	1,909,409
Operating contributions and grants	4,938,360	6,972,249	8,279,190	6,362,517	5,111,923	3,542,733	6,364,114	4,955,213	3,502,773
Capital contributions and grants	5,062,631	5,480,879	6,941,249	6,761,134	15,640,554	4,501,863	8,472,778	3,495,573	1,187,623
Total governmental activities program revenues	25,668,422	28,701,893	32,741,364	30,349,472	39,513,435	26,435,099	34,446,085	24,519,009	15,528,680
<b>Business-type activities:</b>									
Charges for services:									
Urban run-off	-	196,799	314,762	329,143	333,760	351,123	377,950	361,321	380,256
Water utility	8,717,639	10,302,495	10,456,507	10,565,259	11,344,697	11,834,601	14,085,133	16,401,415	18,813,373
Sewer utility	402,532	1,443,307	1,776,075	1,875,014	1,894,176	2,008,507	1,932,161	2,018,405	2,136,760
Sanitation	2,666,432	2,734,180	2,844,356	2,959,536	3,037,508	3,138,125	3,158,430	3,199,135	3,317,183
I.T. External Support	762,234	759,967	1,026,609	1,679,249	1,546,020	1,642,756	1,676,577	1,499,019	1,472,730
Operating contributions and grants	10,648	-	-	-	-	11,323	11,323	-	11,371
Capital contributions and grants	763,924	358,240	192,527	214,182	389,905	-	-	-	1,209,000
Total business-type activities program revenues	13,323,409	15,794,988	16,610,836	17,622,383	18,546,066	18,986,435	21,241,574	23,490,618	27,340,673
Primary government program revenues	\$ 38,991,831	\$ 44,496,881	\$ 49,352,200	\$ 47,971,855	\$ 58,059,501	\$ 45,421,534	\$ 55,687,659	\$ 48,009,627	\$ 42,869,353



CITY OF BREA

**FUND BALANCES - GOVERNMENTAL FUNDS  
LAST NINE FISCAL YEARS  
(Modified accrual basis of accounting)**

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11 <sup>1</sup>	Fiscal Year 2011-12 <sup>2</sup>	Fiscal Year 2012-13 <sup>3</sup>	Fiscal Year 2013-14
General Fund									
Reserved	\$ 1,984,229	\$ 2,669,465	\$ 2,322,137	\$ 1,380,677	\$ 785,545	\$ -	\$ -	\$ -	\$ -
Unreserved	18,203,868	19,727,910	19,831,412	20,855,888	21,339,180	-	-	-	-
Nonspendable	-	-	-	-	-	362,049	1,580,778	1,675,150	1,096,665
Restricted	-	-	-	-	-	870,294	926,483	1,191,585	1,161,494
Committed	-	-	-	-	-	7,048,285	6,546,809	7,496,895	8,649,210
Assigned	-	-	-	-	-	798,915	590,613	667,696	800,857
Unassigned	-	-	-	-	-	16,998,367	21,075,761	21,224,287	21,046,657
Total general fund	\$ 20,188,097	\$ 22,397,375	\$ 22,153,549	\$ 22,236,565	\$ 22,124,725	\$ 26,077,910	\$ 30,720,444	\$ 32,255,613	\$ 32,754,883
All Other Governmental Funds									
Reserved	\$ 18,539,691	\$ 39,552,796	\$ 38,414,600	\$ 28,011,213	\$ 47,477,075	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:									
Special revenue funds	14,873,497	13,300,481	8,441,729	10,753,310	9,623,245	-	-	-	-
Capital projects funds	41,527,667	22,022,416	17,893,745	32,341,656	22,796,432	-	-	-	-
Debt service funds	16,200,927	16,667,790	18,483,272	17,927,243	12,049,980	-	-	-	-
Nonspendable	-	-	-	-	-	21,711,076	-	-	18,212,052
Restricted	-	-	-	-	-	70,255,597	25,670,313	52,188,042	29,045,330
Assigned	-	-	-	-	-	9,915,996	1,705,413	-	-
Unassigned	-	-	-	-	-	(335,374)	(54,141)	(144,652)	(89,971)
Total all other governmental funds	\$ 91,141,782	\$ 91,543,483	\$ 83,233,346	\$ 89,033,422	\$ 91,946,732	\$ 101,547,295	\$ 27,321,585	\$ 52,043,390	\$ 47,167,411

As provided in GASB Statement 44, the City of Brea has elected to report fiscal years beginning 2005-06 and forward.

<sup>1</sup> During the fiscal year ended June 30, 2011, the City adopted GASB Statement 54 which established new categories for fund balance.

<sup>2</sup> During the fiscal year ended June 30, 2012, the assets, liabilities (current and long-term debt obligations) and fund balances of the former Brea Redevelopment Agency were transferred to the Successor Agency on February 1, 2012, as a result of the dissolution of redevelopment agencies in California.

<sup>3</sup> During the fiscal year ended June 30, 2013, the Successor Agency transferred to the City of Brea the housing assets of the former Brea Redevelopment Agency.

CITY OF BREA

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST NINE FISCAL YEARS  
(Modified accrual basis of accounting)**

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
<b>Revenues:</b>									
Taxes	\$ 57,344,895	\$ 57,844,388	\$ 58,184,372	\$ 56,253,190	\$ 55,174,409	\$ 53,658,443	\$ 52,965,161	\$ 33,464,585	\$ 35,621,119
Licenses and permits	463,024	414,587	389,220	496,386	468,491	502,449	468,154	485,113	608,664
Intergovernmental	2,628,195	3,762,077	8,114,101	6,208,976	3,678,295	9,065,309	9,057,154	7,391,599	5,921,198
Contributions	-	-	-	-	13,400,000	-	6,012,024	2,299,568	199,811
Charges for services	12,703,351	13,524,516	13,946,450	15,041,718	14,754,248	17,578,136	16,383,685	12,386,985	7,416,279
Use of money and property <sup>1</sup>	3,679,272	7,393,552	7,647,945	5,219,651	3,833,071	3,625,103	3,212,863	1,797,849	2,580,210
Fines and forfeitures	1,551,306	1,359,796	2,064,038	1,834,868	2,160,058	1,823,981	1,811,929	1,500,354	1,067,593
Miscellaneous	1,252,321	2,509,005	2,549,669	2,612,448	2,566,836	3,431,088	5,032,030	5,377,484	2,907,555
<b>Total revenues</b>	<b>79,622,364</b>	<b>86,807,921</b>	<b>92,895,795</b>	<b>87,667,237</b>	<b>96,035,408</b>	<b>89,684,509</b>	<b>94,943,000</b>	<b>64,703,537</b>	<b>56,322,429</b>
<b>Expenditures:</b>									
General Government	12,081,211	8,514,794	6,680,795	7,125,057	6,302,472	6,199,044	6,889,583	5,569,582	5,479,851
Public Safety	28,389,417	32,344,220	34,381,768	36,548,783	35,669,855	34,916,663	36,925,686	35,270,155	31,461,089
Development Services <sup>2</sup>	9,051,932	8,122,315	7,568,746	9,177,580	5,177,066	-	-	-	-
Community Development <sup>2</sup>	-	-	-	-	-	6,581,513	2,213,502	2,669,989	5,206,914
Community Services	4,811,257	5,729,198	5,982,070	6,470,313	6,108,153	5,808,160	5,930,685	6,141,746	6,450,201
Maintenance Services <sup>2</sup>	3,334,639	3,765,916	4,299,500	6,935,005	4,201,954	-	-	-	-
Public Works <sup>2</sup>	-	-	-	-	-	4,550,487	4,715,759	4,769,385	4,925,155
Capital Outlay	3,049,250	6,940,525	22,321,493	7,601,076	13,152,533	26,027,011	12,901,819	6,896,432	7,350,289
Debt service:									
Principal retirement	7,317,145	7,485,660	7,716,246	7,268,934	8,476,465	8,402,943	9,021,235	368,460	350,000
Interest and fiscal charges	9,133,951	8,968,007	8,800,953	7,900,652	8,899,460	8,980,763	4,246,122	460,878	439,402
Debt issuance costs	-	-	-	720,002	145,961	649,830	-	-	-
Pass-through agreement payments	2,276,832	2,449,524	2,193,506	2,564,792	3,437,854	2,537,558	457,812	-	-
SERAF payment	-	-	-	-	8,983,766	1,849,599	-	-	-
<b>Total expenditures</b>	<b>79,445,634</b>	<b>84,320,159</b>	<b>99,945,077</b>	<b>92,312,194</b>	<b>100,555,539</b>	<b>106,503,571</b>	<b>83,302,203</b>	<b>62,146,627</b>	<b>61,662,901</b>
Excess (deficiency) of revenues over (under) expenditures	176,730	2,487,762	(7,049,282)	(4,644,957)	(4,520,131)	(16,819,062)	11,640,797	2,556,910	(5,340,472)
<b>Other Financing Sources (Uses):</b>									
Transfers in	12,536,427	17,112,729	31,616,075	27,097,193	23,268,409	33,603,347	11,074,821	6,904,709	5,890,552
Transfers out	(11,969,090)	(18,771,512)	(33,120,756)	(25,761,520)	(23,361,808)	(28,816,796)	(10,207,113)	(4,733,798)	(4,934,249)
Sale of capital assets	1,083,330	-	-	-	-	-	-	6,850	7,460
Capital leases	139,500	1,782,000	-	327,376	-	-	-	-	-
Long-term debt issued	-	-	-	20,925,000	7,415,000	38,594,323	-	-	-
Refunded debt redeemed	-	-	-	(12,060,000)	-	(13,185,000)	-	-	-
Bond premium	-	-	-	-	-	351,694	-	-	-
Bond discount	-	-	-	-	-	(174,757)	-	-	-
Total other financing sources (uses)	1,790,167	123,217	(1,504,681)	10,528,049	7,321,601	30,372,811	867,708	2,177,761	963,763
Extraordinary gain on dissolution of Redevelopment Agency <sup>3,4</sup>	-	-	-	-	-	-	(82,091,681)	21,522,303	-
<b>Net change in fund balances</b>	<b>\$ 1,966,897</b>	<b>\$ 2,610,979</b>	<b>\$ (8,553,963)</b>	<b>\$ 5,883,092</b>	<b>\$ 2,801,470</b>	<b>\$ 13,553,749</b>	<b>\$ (69,583,176)</b>	<b>\$ 26,256,974</b>	<b>\$ (4,376,709)</b>
Debt service as a percentage of noncapital expenditures	22.28%	22.21%	21.28%	18.76%	20.05%	20.10%	17.30%	1.52%	1.43%

As provided in GASB Statement 44, the City of Brea has elected to report fiscal years beginning 2005-06 and forward.

<sup>1</sup> Beginning fiscal year ended June 30, 2010, the amount reported is a combination of investment and rental income.

<sup>2</sup> Effective July 1, 2010, the Development and Maintenance Services Departments were eliminated and the Community Development and Public Works Departments were created due to the City of Brea's

<sup>3</sup> During the fiscal year ended June 30, 2012, the assets, liabilities (current and long-term debt obligations) and fund balances of the Brea Redevelopment Agency were transferred to the Successor Agency as a result of the dissolution of redevelopment agencies in California.

<sup>4</sup> During the fiscal year ended June 30, 2013, the Successor Agency transferred to the City of Brea the housing assets of the former Brea Redevelopment Agency.

**CITY OF BREA**

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Other Property <sup>1</sup></b>	<b>Total Taxable Assessed Value <sup>2</sup></b>	<b>Total Direct Tax Rate</b>
2005	2,583,635,646	991,557,410	647,793,880	1,160,480,511	5,383,467,447	0.17402
2006	2,859,164,791	997,440,500	673,513,691	1,260,261,500	5,790,380,482	0.17402
2007	3,150,677,401	1,121,437,204	725,636,109	1,503,284,513	6,501,035,227	0.17402
2008	3,369,302,387	1,178,077,438	730,088,623	1,528,851,283	6,806,319,731	0.17402
2009	3,420,432,796	1,535,537,061	1,161,803,074	917,687,313	7,035,460,244	0.17402
2010	3,319,962,213	1,554,892,370	1,199,008,537	905,419,292	6,979,282,412	0.17402
2011	3,579,683,419	1,548,534,540	1,135,559,625	753,830,318	7,017,607,902	0.17402
2012	3,637,044,394	1,543,677,299	1,077,624,463	723,537,802	6,981,883,958	0.17402
2013	3,805,741,803	1,544,954,532	1,145,495,173	682,982,424	7,179,173,932	0.17402
2014	3,927,143,843	1,569,625,782	1,112,039,457	839,411,616	7,448,220,716	0.17402

<sup>1</sup> Other property includes recreational, institutional, vacant, and miscellaneous property.

<sup>2</sup> Tax-exempt property is excluded from the total taxable assessed value.

**NOTE:**

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Sources: HdL Coren & Cone; Orange County Assessor

**CITY OF BREa**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST NINE FISCAL YEARS**

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
City Direct Rates:									
City of Brea	\$ 0.12902	\$ 0.12902	\$ 0.12902	\$ 0.12902	\$ 0.12902	\$ 0.12902	\$ 0.12902	\$ 0.12902	\$ 0.12902
City of Brea Paramedics Tax <sup>1</sup>	0.04500	0.04500	0.04500	0.04500	0.04500	0.04500	0.04500	0.04500	0.04500
Total City Direct Rate	0.17402	0.17402	0.17402	0.17402	0.17402	0.17402	0.17402	0.17402	0.17402
Overlapping Rates:									
Brea-Olinda Unified School District General Fund	0.43988	0.43988	0.44000	0.43990	0.43990	0.43990	0.43990	0.43990	0.43990
Brea-Olinda Unified School District Bonds	0.92436	0.02183	0.02241	0.02270	0.02285	0.02426	0.02367	0.02365	0.02470
NOC Community College General Fund	0.06663	0.06663	0.06700	0.06660	0.06660	0.06660	0.06660	0.06660	0.06660
NOC Community College Bonds	0.01666	0.01444	0.01502	0.01493	0.01662	0.01758	0.01742	0.01902	0.01704
Educational Revenue Augmentation Fund	0.18261	0.18261	0.18300	0.18260	0.18260	0.18260	0.18260	0.18260	0.18260
Orange County Department of Education	0.03908	0.03908	0.03900	0.03910	0.03910	0.03910	0.03910	0.03910	0.03910
Orange County Flood Control District	0.01888	0.01888	0.01900	0.01888	0.01880	0.01880	0.01880	0.01888	0.01888
Orange County General Fund	0.05885	0.05885	0.05900	0.05890	0.05890	0.05890	0.05890	0.05890	0.05890
Orange County Harbors, Beaches & Parks	0.01459	0.01459	0.01460	0.01459	0.01459	0.01459	0.01459	0.01459	0.01459
Orange County Library District	0.01592	0.01592	0.01590	0.01592	0.01592	0.01592	0.01592	0.01592	0.01592
Orange County Sanitation District Two Operating	0.03080	0.03080	0.03100	0.03080	0.03080	0.03080	0.03080	0.03080	0.03080
Orange County Transportation Authority	0.00268	0.00268	0.00270	0.00268	0.00268	0.00268	0.00268	0.00268	0.00268
Orange County Vector Control	0.00106	0.00107	0.00110	0.00107	0.00107	0.00107	0.00107	0.00107	0.00107
Metropolitan Water District	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350
Total Direct Rate	\$ 1.99122	\$ 1.08597	\$ 1.08825	\$ 1.08699	\$ 1.08875	\$ 1.09052	\$ 1.08977	\$ 1.09123	\$ 1.09030

As provided in GASB Statement 44, the City of Brea has elected to report fiscal years beginning 2005-06 and forward.

<sup>1</sup> The City of Brea Paramedic Tax rate is per \$100 of assessed value.

NOTES:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of bonded debt and property tax overrides.

The Redevelopment Agency tax rate is not presented above in that property within the project area is subject to a tax rate of 1.0495%, which includes the Proposition 13 property tax rate of 1.00% and the applicable voter approved debt.

Source: HdL Coren & Cone, Orange County Assessor Combined Tax Rolls

CITY OF BREa

PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Fiscal Year 2013-14			Fiscal Year 2004-05		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Retail Property Trust	\$ 230,921,108	1	3.04%	\$ 198,142,792	1	3.60%
Beckman Coulter Inc.	166,592,080	2	2.19%	83,415,183	4	1.52%
ABS CA-O DC2 LLC	105,773,995	3	1.39%			
Acquiport Brea	103,415,758	4	1.36%			
Olen Pointe Brea LLC	101,127,576	5	1.33%	69,142,532	5	1.26%
FW CA-Brea Marketplace LLC	99,241,681	6	1.31%			
Brea Union Plaza II LLC	72,439,050	7	0.95%	34,152,829	10	0.62%
Mills Acquisition Company	71,786,874	8	0.95%			
New Albertson's Inc.	66,782,203	9	0.88%	103,270,577	2	1.88%
ICE Holdings LLC	51,604,049	10	0.68%	44,840,173	8	0.82%
Wells Brea				94,000,000	3	1.71%
Equity Office Properties				51,994,456	6	0.95%
La Floresta				46,320,129	7	0.84%
Centex Homes				36,334,413	9	0.66%
	<u>\$ 1,069,684,374</u>		<u>14.08%</u>	<u>\$ 761,613,084</u>		<u>13.86%</u>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Sources: HdL Coren & Cone, County of Orange Assessor's Office

CITY OF BREA

PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	28,660,066	28,835,353	100.61%	220,797	29,056,150	101.38%
2006	28,914,427	30,893,196	106.84%	410,146	31,303,342	108.26%
2007	31,242,316	30,996,950	99.21%	397,421	31,394,371	100.49%
2008	34,675,457	34,287,289	98.88%	370,616	34,657,905	99.95%
2009	34,655,751	34,504,139	99.56%	354,837	34,858,976	100.59%
2010	33,304,101	32,620,080	97.95%	252,721	32,872,801	98.70%
2011	34,970,273	35,335,027	101.04%	145,204	35,480,231	101.46%
2012	32,242,292	31,678,555	98.25%	295,525	31,974,080	99.17%
2013 <sup>1</sup>	12,449,282	12,125,387	97.40%	195,502	12,320,889	98.97%
2014	13,412,523	13,173,993	93.07%	140,765	13,314,758	99.27%

<sup>1</sup> Beginning February 1, 2012, the property tax revenues of the former Brea Redevelopment Agency are now accounted for in the Successor Agency to the Brea Redevelopment Agency.

NOTE:

The amounts presented include property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

Source: County of Orange Auditor Controller's Office

CITY OF BREa

RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income <sup>8</sup>	Debt Per Capita <sup>8</sup>
	Tax Allocation Bonds <sup>6,7</sup>	Lease Revenue Bonds <sup>7</sup>	Capital Leases <sup>1,2,4</sup>	Total Governmental Activities	Water		Total Government			
					Revenue Bonds <sup>3,5</sup>	Revenue Bonds <sup>3,5</sup>				
2005	199,366,857	17,560,000	1,691,034	218,617,891	17,180,000	17,180,000	235,797,891	14.22%	5,608	
2006	193,810,364	16,850,000	3,164,387	213,824,751	16,475,000	16,475,000	230,299,751	12.34%	4,883	
2007	187,943,944	16,095,000	4,356,399	208,395,343	15,740,000	15,740,000	224,135,343	11.91%	4,748	
2008	181,975,649	15,310,000	3,552,175	200,837,824	14,975,000	14,975,000	215,812,824	11.17%	4,477	
2009	188,442,073	14,495,000	2,993,624	205,930,697	25,800,000	25,800,000	231,730,697	11.43%	4,592	
2010	178,909,196	16,485,000	6,716,146	202,110,342	38,095,000	38,095,000	240,205,342	11.46%	4,629	
2011	197,967,628	15,360,000	6,106,031	219,433,659	37,760,000	37,760,000	257,193,659	13.10%	5,247	
2012	-	2,760,000	5,161,902	7,921,902	37,265,000	37,265,000	45,186,902	2.21%	906	
2013	-	2,760,000	4,659,564	7,419,564	36,325,000	36,325,000	43,744,564	2.10%	867	
2014	-	2,760,000	4,169,409	6,929,409	35,350,000	35,350,000	42,279,409	1.83%	775	

<sup>1</sup> For the fiscal year ended June 30, 2006, the City of Brea entered into two lease-purchase agreements totaling \$1,729,083.

<sup>2</sup> For the fiscal year ended June 30, 2007, the City of Brea entered into a lease-purchase agreement for \$1,782,000.

<sup>3</sup> For the fiscal year ended June 30, 2009, the Brea Public Financing Authority issued over \$25 million of water revenue refunding bonds.

<sup>4</sup> For the fiscal year ended June 30, 2010, the City of Brea entered into a lease-purchase agreement for \$4,580,000.

<sup>5</sup> For the fiscal year ended June 30, 2010, the Brea Public Financing Authority issued over \$12 million of water revenue bonds.

<sup>6</sup> For the fiscal year ended June 30, 2011, the Brea Redevelopment Agency issued over \$29 million of tax allocation bonds.

<sup>7</sup> For the fiscal year ended June 30, 2012, outstanding long term debts of the Brea Redevelopment Agency were transferred to the Successor Agency on February 1, 2012, as a result of dissolution of redevelopment agencies in California.

<sup>8</sup> See the Schedule of Demographic and Economic Statistics for personal income and population data.

NOTE: Details regarding the outstanding debt can be found in the notes of the financial statements.

CITY OF BREA

**RATIO OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	General Bonded Debt Outstanding			Restricted for Debt Service <sup>2</sup>	Net Bonded Debt	Percentage of Assessed Value of Property <sup>3</sup>	Per Capita <sup>4</sup>
	Tax Allocation Bonds <sup>1,2</sup>	Lease Revenue Bonds <sup>2</sup>	Total				
2005	199,366,857	17,560,000	216,926,857	3,277,245	213,649,612	3.97%	5,608
2006	193,810,364	16,850,000	210,660,364	3,172,291	207,488,073	3.58%	4,883
2007	187,943,944	16,095,000	204,038,944	3,147,593	200,891,351	3.09%	4,748
2008	181,975,649	15,310,000	197,285,649	3,188,031	194,097,618	2.85%	4,477
2009	185,442,073	14,495,000	199,937,073	3,713,382	196,223,691	2.79%	4,592
2010	178,909,196	16,485,000	195,394,196	3,758,776	191,635,420	2.75%	4,629
2011	197,967,628	15,360,000	213,327,628	6,647,628	206,680,000	2.95%	5,247
2012	-	2,760,000	2,760,000	301,972	2,458,028	0.04%	60
2013	-	2,760,000	2,760,000	291,130	2,468,870	0.03%	60
2014	-	2,760,000	2,760,000	293,713	2,466,287	0.03%	58

<sup>1</sup> For the fiscal year ended June 30, 2011, the Redevelopment Agency issued over \$29 million of tax allocation bonds in June, 2011, which included over \$22 million in new bonds resulting in the increase

<sup>2</sup> For the fiscal year ended June 30, 2012, outstanding long term debts of the Brea Redevelopment Agency were transferred to the Successor Agency on February 1, 2012, as a result of dissolution of Redevelopment Agencies in California.

<sup>3</sup> See schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

<sup>4</sup> Population data can be found in schedule of Demographic and Economic Statistics.

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF BREA**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2014**

City Assessed Valuation: \$ 7,480,648,318

	<b>Estimated Percentage Applicable <sup>1</sup></b>	<b>Debt Outstanding</b>	<b>Estimated Share of Overlapping Debt</b>
<b>Overlapping Debt Repaid with Property Taxes:</b>			
Metropolitan Water District	0.342%	\$ 132,275,000	\$ 452,381
North Orange County Joint Community College District	7.359	201,239,001	14,809,178
Brea-Olinda Unified School District	90.606	19,364,029	17,544,972
Placentia-Yorba Linda Unified School District	1.352	257,071,375	3,475,605
Rowland Unified School District	0.135	208,566,229	281,564
Fullerton Joint Union High School District	1.903	50,237,910	956,027
Fullerton School District	0.009	35,910,458	3,232
La Habra City School District	10.942	17,732,134	1,940,250
City of Brea Community Facilities Districts	100	16,644,000	16,644,000
Brea-Olinda Unified School District Community Facilities District No. 95-1	100	7,060,000	7,060,000
Total overlapping debt repaid with property taxes		<u>946,100,136</u>	<u>63,167,209</u>
<b>Overlapping Other Debt:</b>			
Orange County General Fund Obligation	1.691%	\$ 145,476,000	\$ 2,459,999
Orange County Pension Obligations Bonds	1.691	32,195,288	544,422
Orange County Board of Education Certificates of Participation	1.691	15,500,000	262,105
Municipal Water District of Orange County Water Facilities Corporation	2.022	7,775,000	157,211
North Orange Regional Occupation Program Certificates of Participation	7.569	10,690,000	809,126
Brea-Olinda Unified School District Certificates of Participation	90.606	22,965,000	20,807,668
Placentia-Yorba Linda Unified School District Certificates of Participation	1.352	107,235,670	1,449,826
Rowland Unified School District Certificates of Participation	0.135	5,000,000	6,750
Fullerton Joint Union High School District Certificates of Participation	1.903	22,255,000	423,513
Fullerton School District Certificates of Participation	0.009	6,160,000	554
Total gross and overlapping general fund debt		<u>375,251,958</u>	<u>26,921,174</u> <sup>2</sup>
Less: MWDOC Water Facilities Corporation (100% supported)			<u>157,211</u>
Total net and overlapping general fund debt			<u>\$ 26,763,963</u>
Total Gross overlapping debt			\$ 90,088,383
Total net overlapping debt			\$ 89,931,172
<b>City of Brea Direct Debt:</b>			
Lease Revenue Bonds			\$ 2,760,000
Capital Leases			<u>4,169,409</u>
Total City of Brea Direct Debt			<u>6,929,409</u>
Combined total gross direct and overlapping debt			\$ 97,017,792 <sup>3</sup>
Combined total net direct and overlapping debt			\$ 96,860,581

<sup>1</sup> Percentage of overlapping agency's assessed valuation located within the boundaries of the City.

<sup>2</sup> Previously classified Orange County Sanitation District certificates of participation have been reclassified as district revenue supported issues and are no longer included as a general fund debt in the debt statement.

<sup>3</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds.

**NOTE:**

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Brea. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc.

CITY OF BREA

LEGAL DEBT MARGIN INFORMATION  
LAST NINE FISCAL YEARS

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
Assessed value	\$ 5,790,380,482	\$ 6,501,035,227	\$ 6,806,319,731	\$ 7,035,460,244	\$ 6,979,282,412	\$ 6,979,282,412	\$ 7,328,303,022	\$ 7,556,214,577	\$ 7,815,157,069
Debt limit: 3.75% of assessed value	217,139,268	243,788,821	255,236,990	263,829,759	261,723,090	261,723,090	274,811,363	283,358,047	293,068,390
Legal debt margin	<u>\$5,573,241,214</u>	<u>\$ 6,257,246,406</u>	<u>\$ 6,551,082,741</u>	<u>\$ 6,771,630,485</u>	<u>\$ 6,717,559,322</u>	<u>\$ 6,717,559,322</u>	<u>\$ 7,053,491,659</u>	<u>\$ 7,272,856,530</u>	<u>\$ 7,522,088,679</u>
Total net debt applicable to limit									
Total general obligation bonded debt									
Less net assets in debt service fund									
Total amount of debt applicable to debt limit									\$ -
Legal debt margin									<u>\$ 293,068,390</u>

As provided in GASB Statement 44, the City of Brea has elected to report fiscal years beginning 2005-06 and forward.

NOTE:  
Under state finance law, the City of Brea's outstanding general obligation debt should not exceed 3.75 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF BREa

PLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Tax Allocation Bonds			Coverage <sup>6</sup>	Gross Revenues <sup>1</sup>	Less: Operating Expenses <sup>2</sup>	Water Revenue Bonds			
	Tax Increment <sup>5,6</sup>	Debt Service					Available Revenue	Debt Service		Coverage
		Principal <sup>6</sup>	Interest <sup>6</sup>					Principal <sup>3</sup>	Interest <sup>4</sup>	
2005	24,913,584	6,165,000	9,214,517	1.62	8,560,029	6,634,539	1,925,490	685,000	789,570	1.31
2006	24,805,308	6,260,000	8,923,680	1.63	8,717,639	7,376,311	1,341,328	705,000	763,503	0.91
2007	23,500,001	6,350,000	8,610,256	1.57	10,302,495	8,800,006	1,502,489	735,000	735,775	1.02
2008	23,500,000	6,345,000	7,947,207	1.64	10,410,074	8,774,941	1,635,133	765,000	816,508	1.03
2009	23,500,000	5,795,000	7,132,481	1.82	10,344,771	9,123,214	1,221,557	790,000	552,885	0.91
2010	20,062,146	6,950,000	8,182,916	1.33	11,563,325	10,471,557	1,091,768	-	1,359,105	0.80
2011	19,854,155	6,960,000	7,895,704	1.34	11,874,613	10,510,821	1,363,792	335,000	1,291,835	0.84
2012	-	-	-	-	13,659,142	11,196,371	2,462,771	495,000	1,536,324	1.21
2013	-	-	-	-	15,639,630	10,700,731	4,938,899	940,000	1,548,591	1.98
2014	-	-	-	-	18,204,836	11,873,994	6,330,842	975,000	1,540,597	2.52

<sup>1</sup> Gross revenues exclude connection fees.

<sup>2</sup> Operating expenses do not include interest or depreciation.

<sup>3</sup> In May 2009, the Brea Public Financing Authority issued over \$12.9 million of water revenue refunding bonds, which refunded the 1998 Water Revenue Refunding Bonds resulting in no principal payment due in July 1, 2009.

<sup>4</sup> Interest expense is net of the Build America Bonds interest refund credits.

<sup>5</sup> Beginning fiscal year ended June 30, 2010, tax increment is net of tax increment revenue sharing payments.

<sup>6</sup> For the fiscal year ended June 30, 2012, outstanding long term debts of the Brea Redevelopment Agency were transferred to the Successor Agency on February 1, 2012, as a result of dissolution of redevelopment agencies in California.

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF BREA

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS

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<u>Fiscal Year Ended June 30</u>	<u>Population <sup>1</sup></u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income <sup>2</sup></u>	<u>Unemployment Rate <sup>3</sup></u>
2005	39,441	1,658,494	42,050	4.0%
2006	39,560	1,865,689	47,161	3.6%
2007	39,870	1,882,223	47,209	3.9%
2008	40,081	1,932,265	48,209	4.1%
2009	40,176	2,027,401	50,463	7.2%
2010	40,377	2,095,324	51,894	6.2%
2011	40,065	1,963,986	49,020	6.6%
2012	40,932	2,040,992	49,863	6.0%
2013	41,394	2,087,913	50,440	5.2%
2014	42,397	2,311,442	54,519	4.2%

Sources:

<sup>1</sup> City Community Development, Planning Division

<sup>2</sup> Per capita income for Orange County; U.S. Department of Commerce, Bureau of Economic Analysis, 2013

<sup>3</sup> State of California Employment Development Department - Labor Market Information Division

**CITY OF BREA**

**PRINCIPAL EMPLOYERS  
CURRENT FISCAL YEAR AND NINE YEARS AGO**

<b>Employer</b>	<b>Fiscal Year 2013-14</b>			<b>Fiscal Year 2004-05</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percent of Total City Employment <sup>1</sup></b>	<b>Employees<sup>2</sup></b>	<b>Rank</b>	<b>Percent of Total City Employment <sup>3</sup></b>
Bank of America <sup>4</sup>	1,500	1	6.94%	-		-
Mercury Insurance Group	1,500	2	6.94%	1,608	1	7.50%
Beckman Coulter, Inc.	1,200	3	5.56%	1,170	2	5.46%
Kirkhill - TA Company	700	4	3.24%	665	5	3.10%
Albertson's, Inc.	680	5	3.15%	800	3	3.73%
Brea Olinda Unified School District	678	6	3.14%	775	4	3.62%
Veterinary Pet Insurance Co.	460	7	2.13%			
Nordstrom Department Store	419	8	1.94%	571	6	2.66%
Bristol Industries	400	9	1.85%			
Peterson Brothers Construction	300	10	1.39%			
Krystal Koach				515	7	2.40%
Capital Group				513	8	2.39%
Avery Dennison Administrative				400	9	1.87%
<b>Total</b>	<b><u>7,837</u></b>		<b>36.28%</b>	<b><u>7,017</u></b>		<b>32.75%</b>

<sup>1</sup> Based upon the Employment Development Department's estimate of 21,600 residents employed in 2014 out of a total population of 42,397.

<sup>2</sup> Information from Annual Report for the 1997 Area C Senior Lien Bonds.

<sup>3</sup> Based upon the Employment Development Department's total Orange County employment, and the assumption that a similar ratio of Brea residents was employed in 2004-05 as in 2013-14, the estimated number of employed residents used was 21,427. Note: this methodology was used because City-specific data was not available for this period.

<sup>4</sup> Number of Employees for FY 2013-14 came from data provided by the City's Business License Software.

Source: City of Brea

CITY OF BREA

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	59	60	67	68	69	56	57	57	59	58
Public Safety	226	227	226	226	226	211	213	213	212	167
Development Services	31	31	32	32	33	29	-	-	-	-
Community Development <sup>1</sup>	-	-	-	-	-	-	20	20	20	21
Community Services	46	48	50	50	52	48	39	48	52	52
Maintenance Services	37	38	38	38	42	32	-	-	-	-
Public Works <sup>2</sup>	-	-	-	-	-	-	37	39	42	41
Water Utility	16	15	16	16	14	16	16	14	15	17
Sewer Utility	2	3	4	4	4	6	6	6	6	6
Sanitation	3	2	2	2	2	2	2	2	2	2
Mobile Data System	3	3	3	1	1	-	-	-	-	-
External Information Technology <sup>3</sup>	-	-	-	-	-	9	9	9	9	10
Total	423	427	437	437	443	409	399	408	417	374

<sup>1</sup> Prior to FY2011, Community Development was reported under Development Services function.

<sup>2</sup> Prior to FY2011, Public Works was reported under Maintenance Services function.

<sup>3</sup> Prior to FY2010, External Information Technology Services was reported under General Government function.

Source: City of Brea Adopted Budget and Supplements to the Adopted Budget, 2004-05 through 2013-14.

**CITY OF BREA**

**OPERATING INDICATORS BY FUNCTION  
LAST NINE FISCAL YEARS**

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
Function:									
Police									
Calls dispatched	32,043	20,700	19,334	22,232	22,231	23,071	24,650	22,810	22,412
Crime reports	6,620	9,882	5,585	7,076	5,475	4,726	4,491	4,450	4,207
Moving citations	10,827	16,289	8,335	7,123	9,192	9,024	8,215	5,573	3,272
Parking citations	15,853	14,504	14,836	14,118	20,639	15,469	16,034	10,651	11,178
Water									
Number of customer accounts	11,763	11,893	11,842	11,863	11,953	11,878	12,095	12,258	12,637
Average daily consumption (millions of gallons)	9.87	10.12	10.79	9.26	8.83	8.53	9.39	9.77	10.30
Water samples taken	672	1,830	1,753	624	624	627	672	840	624
Sewers									
Feet of sewer mains root cut/chemically treated	600	4,825	2,410	-	-	-	-	-	-
Development Services <sup>5</sup>									
Permits issued	1,505	1,249	1,096	1,218	979	-	-	-	-
Inspections conducted	5,808	3,994	4,945	4,850	4,628	-	-	-	-
Traffic signals maintained	50	50	50	51	51	-	-	-	-
Infrastructure improvement projects administered	6	9	14	12	13	-	-	-	-
Community Development									
Permits issued	-	-	-	-	-	1,097	1,180	1,404	1,418
Inspections conducted	-	-	-	-	-	4,316	5,030	5,604	7,955
Maintenance <sup>5</sup>									
Square feet of graffiti removal	66,000	7,675	11,232	12,755	15,048	-	-	-	-
Streetsweeping miles	18,304	20,618	26,341	22,943	20,777	-	-	-	-
Trees pruned per year	2,880	2,322	2,642	2,706	2,906	-	-	-	-
Public Works									
Square feet of graffiti removal	-	-	-	-	-	12,528	9,576	10,944	7,713
Street sweeping miles	-	-	-	-	-	20,609	18,398	19,365	19,494
Trees pruned per year	-	-	-	-	-	2,702	2,806	3,136	2,069
Traffic signals maintained	-	-	-	-	-	51	52	52	52
Infrastructure improvement projects administered	-	-	-	-	-	9	17	6	9
Culture and Recreation									
Gallery promotions and mailings	55,815	46,582	42,151	43,962	21,647	26,903	22,934	18,500	18,500
Gallery attendance	6,650	6,624	6,004	7,495	6,934	7,081	11,693	9,596	10,674
Theatre annual program brochures mailed	22,000	20,000	23,313	24,532	35,053	37,848	37,843	10,724	44,517
Theatre attendance	16,956	16,986	16,419	17,742	13,964	11,983	12,829	12,516	12,889
General government									
Accounts payable warrants issued	8,318	8,493	8,624	7,772	6,233	6,043	8,182	7,872	7,829

As provided in GASB Statement 44, the City of Brea has elected to report fiscal years beginning 2005-06 and forward.

<sup>1</sup> The reporting methodology employed beginning fiscal year 2007-08 was changed; going forward, this methodology will remain consistent for the sake of comparability.

<sup>2</sup> Figure corrected with fiscal year 2011-12 CAFR.

<sup>3</sup> Beginning in fiscal year 2007-08, the reported streetsweeping miles included curb miles from the City's backup sweeper which was not included in the prior fiscal year.

<sup>4</sup> Doesn't include five flashing beacons the City maintains.

<sup>5</sup> Beginning in fiscal year 2010-11, function classified as Public Works or Community Development.

Source: City of Brea

CITY OF BREA

CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function:										
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	4	4	4	4	4	4	4	4	4	4
Highways and streets										
Miles of streets	118	118	119	119	119	119	119	119	119	120
Street lights	3,301	3,301	3,388	3,388	3,388	3,388	3,388	3,388	3,388	3,401
Water										
Number of water wells	1	1	1	1	1	1	1	1	1	1
Number of reservoirs	6	6	6	6	6	6	6	6	6	7
Miles of lines & mains	162	162	167	167	167	167	167	167	167	167
Sewer										
Miles of sanitary sewers	108.50	108.50	110.00	110.00	110.00	110.00	110.00	110.00	110.00	111.00
Miles of storm drains	24.00	24.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	26.00
Culture and Recreation										
Number of parks	10	10	10	10	11	11	11	11	12	13
Number of other facilities	7	7	7	7	7	7	7	7	7	7

Source: City of Brea

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