

CITY of BREA, CALIFORNIA

# Comprehensive Annual Financial Report

FISCAL YEAR ENDED  
June 30, 2019



# CITY COUNCIL



**Christine Marick**  
*Mayor*



**Marty Simonoff**  
*Mayor Pro Tem*



**Cecilia Hupp**  
*Council Member*



**Glenn Parker**  
*Council Member*



**Steven Vargas**  
*Council Member*

## ELECTED OFFICIAL

*Treasurer*      **Richard J. Rios**

## ADMINISTRATIVE PERSONNEL

<i>City Manager</i>	<b>William Gallardo</b>
<i>Assistant City Manager/ Community Services Director</i>	<b>Chris Emeterio</b>
<i>Administrative Services Director</i>	<b>Cindy Russell</b>
<i>Chief of Police</i>	<b>John Burks</b>
<i>Community Development Director</i>	<b>David Crabtree</b>
<i>City Clerk</i>	<b>Lillian Harris-Neal</b>
<i>Fire Chief</i>	<b>Adam Loeser</b>
<i>Public Works Director</i>	<b>Tony Olmos</b>
<i>City Attorney</i>	<b>Terence Boga</b>

**CITY OF BREA, CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Prepared by:

Administrative Services Department

Cindy Russell  
Administrative Services Director

Lee Squire  
Financial Services Manager



**CITY OF BREA, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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## **INTRODUCTORY SECTION**

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## City of Brea

January 30, 2020

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, a California City, for the Fiscal Year ended June 30, 2019. This report has been prepared 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. 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's financial statements. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that 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.

Vavrinek, Trine, Day & Co., 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, 2019, 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, 2019, 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 2 CFR Part 200 Uniform Guidance, *Uniform Administrative Requirements, Cost Principles and Audit Requirements For Federal Awards*. The City continually seeks federal assistance whenever possible and for Fiscal Year ending June 30, 2019 received in excess of \$750,000 in grant revenues. 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) require 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 44,000 residents and hosts a daytime working population of more than 125,000.

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 Albertsons 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 Beckman-Coulter, 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 183 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, as well as 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 and printing 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. The City's land use is distributed as follows:

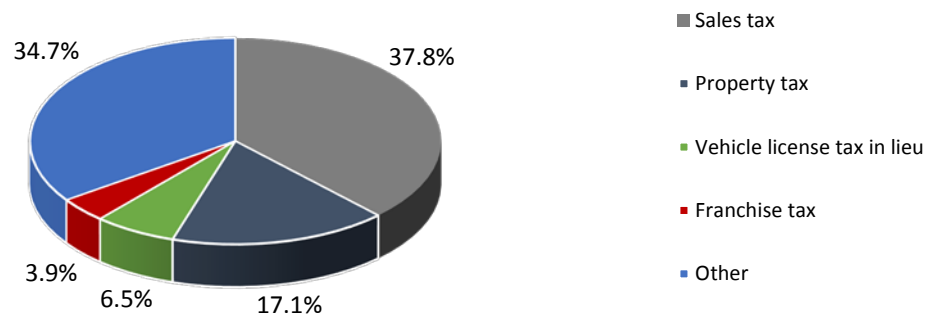
### Land Use Distribution

Land Use	Percent
Residential (single-family, multi-family, and mobile homes)	27%
Commercial and Office	5
Industrial	11
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, and subsequent updates 2008, 2014)

The current land use mix produces General Fund revenues of approximately \$65 million. The top four revenue sources include sales tax, property taxes, vehicle license taxes, and franchise taxes. These revenue sources account for 65.3% of the total amount of General Fund revenues. The remaining revenues account for 34.7% of the total and are represented by a broad range of sources.

### General Fund Revenues by Revenue Source Fiscal Year Ended June 30, 2019

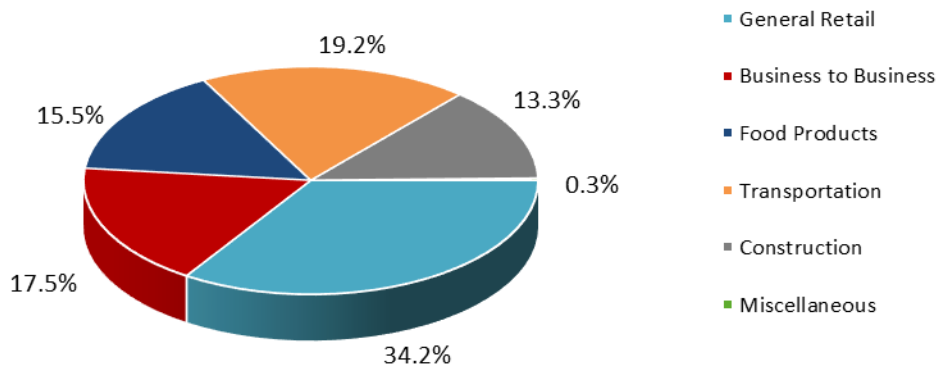


#### Sales Tax

Sales tax represents the single largest source of General Fund revenue at \$23.3 million. It is derived from six major economic categories as listed in the following chart. The retail category, including department stores, apparel stores and general merchandise, makes up 34.2% of the total sales tax generated. This sector

includes the regional Brea Mall, which is the third largest mall in sales tax volume in Orange County. The second largest economic sector being transportation. The increase in this sector is largely due to new auto sales. In Fiscal year 2018-19 Sales tax receipts increased \$4.1 million due to sales tax payments from the previous year, overall improved receipts (due mainly to car sales) and the discovery and audit of sales tax receipts. 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. The City of Brea's sales tax per capita is the second largest in Orange County.

### Sales Tax by Economic Categories Fiscal Year Ended June 30, 2019



#### Property Taxes

Brea is a very diverse community as previously indicated in the land use chart. General Fund property taxes represent \$11.21 million or 17.1% of General Fund revenues. Assessed valuation of all property (including the former Brea Redevelopment Agency) in Brea is \$10.3 billion, an increase of 6.5% over the prior fiscal year. The valuation is split between residential at 59%, commercial/industrial at 34%, and the remaining 7% for other miscellaneous uses. Of the City's 16,708 dwelling units, 64% are single-family units, 30% 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 a slight decrease in housing prices. The median price of a single-family home decreased to \$690,000 from \$694,000 noted in 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) property tax 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 31.6% of the \$2.6 million in annual franchise tax revenue. The remaining 68.4% of this revenue includes franchise fees for oil pipelines, cable television, and other non-city utilities.

### **Franchise Taxes Fiscal Year Ended June 30, 2019**

	<u>Annual Revenue</u>	<u>Percent of Total</u>
Public Utilities	\$ 805,073	31.6%
All Others	<u>1,745,450</u>	<u>68.4%</u>
Totals	<u>\$ 2,550,523</u>	<u>100.0%</u>

## **ECONOMIC OUTLOOK**

Development within Brea continues to remain active with both projects in review as well as actively being constructed. New residential units opened this past year in the planned community of Central Park Village and additional units are expected to be underway in the coming fiscal year. Infill development is currently under construction at the Brea Place project which is approved to include mixed-use improvements including 600+ residential apartments, commercial office space and a new hotel. Finally, on the residential front, project applications are in review for new master planned neighborhoods at the Brea 265 project, which includes applicant goals for as many as 1100 new homes. For more affordable, workforce level housing, the Mercury Lane Apartments project—proposed at 120 units—is under review and would provide for a westward expansion of Brea Downtown. Commercial and Industrial activity also remains active. Of significant note, the City is in discussions with Simon Properties to redevelop the now closed Sears store and parcel at the Brea Mall—Simon is planning a significant new investment in its Brea property to take it to the next level. Simon’s further refinement of this asset has already started with its expansion of the Apple Store and realizing further tenants such as Tesla Automotive, Google, and others in a reworking of its tenancing strategies. Brea Downtown commercial activity has also been strong with a new 100+ room hotel application in review and the recent opening of the new and expanded Improv live performance venue and associated new restaurants. Other existing restaurant investment is anticipated this year together with new retail tenants. Finally, on the Industrial front, several projects are in discussion an anticipated for submittal this year for new research and design facilities to come to market. All in all, Brea’s development activity remains robust and anticipated to continue as new City led Planning efforts, such as The Brea Core Plan, continues, with goals to help assure for Brea’s Economic Development future.

Unemployment in Brea continues to remain low with Orange County ranked 7<sup>th</sup> in the state for the lowest unemployment rate hovering around 3% according to the State Employment Development Department. Brea’s rate is slightly lower than the County with an unemployment rate of 2.8 percent. The low unemployment is anticipated to stay relatively unchanged through the next fiscal year. Retail sales are anticipated to remain strong over the next fiscal year with most sectors experiencing increases. Several retail sectors within Brea that are at an all-time high such as new auto sales, furniture/appliance markets and construction retailers and suppliers. Given the positive outlook in these areas along with the coming development, Brea is expected to continue to experience revenue growth in coming fiscal year.

Brea's strong financial foundation is not only the result of the City's efforts during Fiscal Year 2018-19, but the result of fiscally conservative organizational decisions made over the past decade. 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, the Fiscal Year 2019-20 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. Total General Fund revenues for Fiscal Year 2019-20 as compared to the prior year (as adjusted for one-time non-recurring items) are projected to increase by approximately 2%, mainly due to the increasing sales and property taxes. While revenues are increasing slightly, staff will continue to identify and closely monitor any potential threats to City revenues.

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

- The continued statewide pension contribution increases imposed by the California Public Employees Retirement System (CALPERS) in FY 2019-20 and beyond to address pension liability.
- The continued increase in online versus brick and mortar retail sales impacting sales tax revenues.
- Increases in the cost-of-living as the economy continues to improve.
- Housing activity expected to decrease due to increasing interest rates.

It is expected that these factors may 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 2019-20, City staff will continue to be diligent in monitoring economic factors and seek additional budget solutions to balance the budget.

Locally, geographic and socio-economic conditions in Orange County and the City of Brea remain desirable. Property values in the region are projected to increase, and the City's property tax base is expected to continue its favorable trend for the foreseeable future. Brea's taxable assessed valuation for Fiscal Year 2018-19 General Fund increased by 6.3% from the prior year.

Brea's sales tax of \$23.3 million in Fiscal Year 2018-19 increased 21.2% compared to the prior fiscal year. This increase was primarily due to recovering prior year's sales tax payments that had not been forwarded by the State and increased new auto sales. The prior year's sales tax payments and a portion of the new auto sales were one-time fluctuations in sales tax revenues and not included in projections for FY 2019-20. Therefore, as compared to the prior year, the FY 2019-20 budgeted sales tax projections were lower due to these anomalies. However, based on economic data trends and updated projections, the underlying overall retail sales are projected to increase by approximately 2.0%

Highlights for the State of California from the UCLA Anderson Forecast on December 4, 2019 include the following:

- The forecast indicates that the state's economy is now slightly stronger than predicted due to the National economy slowing at a slower rate than forecasted previously.
- California's unemployment rate is expected to begin to drift upward in the next couple years.
- New home building will decrease by about 5,000 units in 2020, with more optimistic views for 2021.
- The employment growth is expected to be 0.9% and 1.3% in 2020 and 2021 respectively. However, payroll growth rates are expected to be 1.9% and 0.9% over the same period. Real personal income growth is expected to be in the upper 3% range in 2019 and will cool to just below 3% in 2020.



## **LONG-TERM FINANCIAL PLANNING**

### Brea Engagement & Strategy Team (BEST)

Representatives from all City departments meet to discuss strategic planning issues. Over 40 City staff members work collaboratively on an ongoing basis to focus on identifying and evaluating changing City needs. As needed, this group is also instrumental in tackling economic impacts on the City's Budget. BEST meets as needed to address changes to the budget and other organizational concerns that may be necessary to financially 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 budget for Fiscal Year 2018-19, the first 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, 2019 was \$1,032,404.

### 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, 2019 was \$8,503,317.

### Pension Rate Stabilization Program

On November 17, 2015, the City of Brea established a pension rate stabilization program with Public Agency Retirement Services (PARS) to reduce the future unfunded pension liability for current and future retirement costs for both safety and non-safety employees. The City's initial contribution of \$6,000,000 was made during FY 2015-16 and the balance as of June 30, 2019 including interest earned to date was \$7,742,302.

## **MAJOR INITIATIVES**

### State Route 57/Lambert Road Interchange Improvements

This is a major construction project in conjunction with Caltrans to construct a new eastbound to northbound loop on-ramp and modify the spacing between the existing SR-57 on and off ramps to improve traffic flow on Lambert Road. The project budget is \$100 million with more than 90% of the funding from grants; federal funding \$74 million and \$18 million from the Orange County Transportation Authority (OCTA). The remainder is funded by the City with Traffic Impact Fees. Caltrans is the lead agency for environmental and implementation while the City of Brea is the lead for the Right-of-Way and Design.

## 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 PEPRA, a second retirement tier for new employees. As of June 30, 2019, all employees are paying 100% of the employee share of retirement; all public safety employees and some miscellaneous employees are cost sharing the City's share of retirement costs. The implementation of a multi-tiered retirement system is a long-term solution to mitigate the increases in pension costs; however, savings are not fully realized for many years in the future.

## **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, 2018. This was the 29<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.

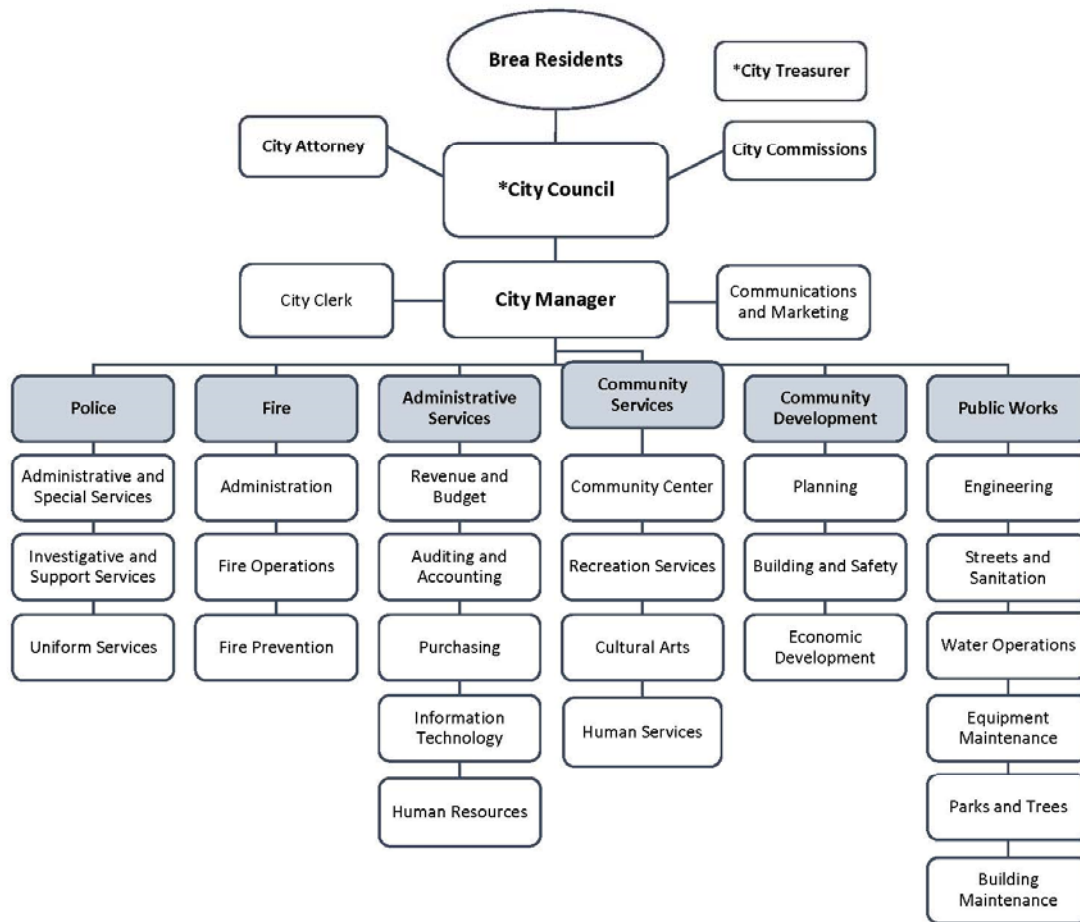
We also would like to thank our independent auditing firm, Vavrinek, Trine, Day & Co., LLP for their expertise and advice in the preparation of this year's financial report.

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,

  
\_\_\_\_\_  
William Gallardo  
City Manager

  
\_\_\_\_\_  
Cindy Russell  
Administrative Services Director





Government Finance Officers Association

**Certificate of  
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Reporting**

Presented to

**City of Brea  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

**FINANCIAL SECTION**

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## Independent Auditor's Report

To the Members of the City Council  
City of Brea, California

### **Report on the 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, (City) as of and for the year ended June 30, 2019, 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.

**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, as of June 30, 2019, 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, schedule of changes in the net pension liability and related ratios for the Miscellaneous and Safety Plans, schedule of plan contributions for the Miscellaneous and Safety Plans, schedule of changes in total OPEB liability and related ratios, and budgetary comparison schedules for the General Fund and each major special revenue fund and related note, 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 funds financial statements and budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

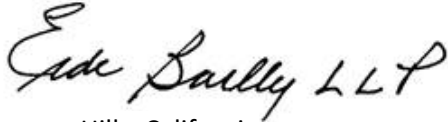
The combining and individual nonmajor funds financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected 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 funds financial statements and budgetary comparison 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.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Laguna Hills, California  
January 30, 2020

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2019. 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 outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year resulting in a net position of \$265 million.
- The City's total net position increased overall by \$5.3 million.
- The City's non-current liabilities of \$209 million primarily includes \$125 million in net pension liabilities; \$26 million in other post-employment (OPEB) liabilities and \$58 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 \$314 million of the \$476 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 \$87 million, an increase of \$6.5 million. Of the total combined fund balance of \$87 million for governmental funds, \$8,826 was non-spendable, \$52.3 million was restricted, \$980,101 was committed, \$12.8 million was assigned, and \$21.2 million was unassigned.
- The General Fund reported an increase of \$7.5 million in fund balance resulting in a total ending fund balance of \$43.6 million. Of the total ending fund balance, \$8,826 was non-spendable, \$8.7 million was restricted, \$980,101 was committed, \$12.8 million was assigned and \$21.2 million was unassigned. The unassigned balance is available for future appropriations.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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. Required supplementary information is included in addition 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) and any deferred outflows of resources, liabilities (including long-term liabilities that may be paid over twenty or more years) and any deferred inflows 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.

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 deferred outflows of resources vs. its liabilities and deferred inflows of resources– 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 City's Government-wide Financial Statements 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. These activities are excluded 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, 2019, as shown in Table 1, was \$265 million.

**Table 1**  
**Net Position**  
**June 30, 2019**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		Total Activities	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 102,171	\$ 98,416	\$ 33,700	\$ 24,894	\$ 135,871	123,310
Capital assets	208,943	210,741	104,810	105,184	313,753	315,925
Noncurrent assets	8,011	7,656	17,985	17,133	25,996	24,789
<b>Total assets</b>	<b>319,125</b>	<b>316,813</b>	<b>156,495</b>	<b>147,211</b>	<b>475,620</b>	<b>464,024</b>
Deferred charge on refunding	-	-	328	491	328	491
Deferred pension/OPEB related items	17,437	25,281	1,681	2,419	19,118	27,700
<b>Total Deferred Outflows of Resources</b>	<b>17,437</b>	<b>25,281</b>	<b>2,009</b>	<b>2,910</b>	<b>19,446</b>	<b>28,191</b>
Noncurrent liabilities	143,918	144,292	64,640	65,585	208,558	209,877
Other liabilities	11,808	13,537	5,273	3,801	17,081	17,338
<b>Total liabilities</b>	<b>155,726</b>	<b>157,829</b>	<b>69,913</b>	<b>69,386</b>	<b>225,639</b>	<b>227,215</b>
Deferred pension/OPEB related items	3,181	3,915	1,241	1,243	4,422	5,158
<b>Total Deferred Inflows of Resources</b>	<b>3,181</b>	<b>3,915</b>	<b>1,241</b>	<b>1,243</b>	<b>4,422</b>	<b>5,158</b>
Net Investment in Capital Assets	202,990	204,323	55,409	58,347	258,399	262,670
Restricted	52,585	54,134	5,843	5,658	58,428	59,792
Unrestricted	(77,918)	(78,107)	26,097	15,322	(51,821)	(62,785)
<b>Total net position</b>	<b>\$ 177,657</b>	<b>\$ 180,350</b>	<b>\$ 87,349</b>	<b>\$ 79,327</b>	<b>\$ 265,006</b>	<b>\$ 259,677</b>

**Net Investment of Capital Assets** – The largest component of the \$476 million in total assets is the City’s investment in capital assets (e.g., land, buildings, infrastructure, and equipment), representing \$314 million or 66% of total assets. A significant portion of the capital assets have been funded through bond financing from the former Brea Redevelopment Agency.

**Noncurrent Liabilities** – Of the \$209 million in long-term (non-current) liabilities, \$58 million represents outstanding bonded debt and capital leases; \$125 million represents net pension liability; and \$26 million represents the City’s OPEB liability. The proceeds from debt were used to finance the acquisition of capital assets and to fund capital improvements.

**Restricted Net Position** – The \$58.4 million in restricted net position was on overall decrease of \$1.4 million from the prior fiscal year. The decrease is due to the expenditures of capital project funds on hand at the end of the prior year, offset by an increase in public works funding for streets and roads

**Unrestricted Net Position** – The \$51.8 million deficit in unrestricted net position was an overall decrease of \$11 million in the deficit from the prior fiscal year. The unrestricted net position deficit has been reduced mainly due to large developer contributions and capital project funds for the Water Enterprise Fund which were unexpended at the end of the fiscal year.

Overall, the City’s net position increased \$5.3 million during the current fiscal year.



**Table 2**  
**Change in Net Position**  
**Fiscal Year Ended June 30, 2019**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		Total Activities	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 6,933	\$ 11,242	\$ 29,260	\$ 30,966	\$ 36,193	\$ 42,208
Operating grants and contributions	5,210	3,965	502	502	5,712	4,467
Capital grants and contributions	4,959	43,193	2,706	14,286	7,665	57,479
General Revenues:						
Taxes:						
Property taxes	20,667	19,358	-	-	20,667	19,358
Sales taxes	23,319	19,236	-	-	23,319	19,236
Transient occupancy taxes	1,806	1,786	-	-	1,806	1,786
Franchise taxes	2,550	1,594	-	-	2,550	1,594
Business license taxes	1,111	1,107	-	-	1,111	1,107
Other taxes	485	580	-	-	485	580
Motor vehicle in lieu	80	80	-	-	80	80
Use of money and property	3,840	1,482	1,240	(25)	5,080	1,457
Other	4,216	3,686	-	(53)	4,216	3,633
Gain (loss) on sale of capital asset	109	24	89	97	198	121
<b>Total Revenues</b>	<b>75,285</b>	<b>107,333</b>	<b>33,797</b>	<b>45,773</b>	<b>109,082</b>	<b>153,106</b>
Expenses:						
General government	7,547	6,680	-	-	7,547	6,680
Public safety	41,778	40,137	-	-	41,778	40,137
Community development	3,410	3,784	-	-	3,410	3,784
Community services	8,443	8,055	-	-	8,443	8,055
Public works	16,207	18,324	-	-	16,207	18,324
Interest on long-term debt	78	380	-	-	78	380
Urban runoff	-	-	423	396	423	396
Water utility	-	-	18,137	17,306	18,137	17,306
Sewer utility	-	-	2,623	1,897	2,623	1,897
Sanitation	-	-	3,450	3,284	3,450	3,284
Information Technology External Support	-	-	1,657	1,790	1,657	1,790
<b>Total Expenses</b>	<b>77,463</b>	<b>77,360</b>	<b>26,290</b>	<b>24,673</b>	<b>103,753</b>	<b>102,033</b>
Change in net position before transfers	(2,178)	29,973	7,507	21,100	5,329	51,073
Transfers	(516)	450	516	(450)	-	-
Change in net position	(2,694)	30,423	8,023	20,650	5,329	51,073
Net position at beginning of year	180,350	166,261	79,327	62,126	259,677	228,387
Restatement of Net position	-	(16,334)	-	(3,449)	-	(19,783)
Net position at end of year	<u>\$ 177,656</u>	<u>\$ 180,350</u>	<u>\$ 87,350</u>	<u>\$ 79,327</u>	<u>\$ 265,006</u>	<u>\$ 259,677</u>

**Governmental Activities** – The cost of all Governmental Activities in the current fiscal year was \$77.4 million. As shown on the statement of activities, \$6.9 million of the cost was paid by those who directly benefited from the programs; \$10.2 million was financed by contributions and grants received from other governmental organizations, developers, and property owners for both capital and operating activities; and \$60.3 million was subsidized through general city revenues. Therefore, as a result of operations, the City’s change in net position before transfers decreased by \$2.7 million.

Property tax revenues for Fiscal Year 2018-19 increased by \$1.3 million when compared to Fiscal Year 2017-18. The increase in property tax revenues is primarily due to the increase in sale value of residential and commercial properties, as well as continued sales of the Blackstone and La Floresta housing developments. Sales tax revenues for Fiscal Year 2018-19 were \$4.1 million higher when compared to Fiscal Year 2017-18 due to the recovery of prior year's sales tax payments that had not been forwarded by the State and increased new auto sales.

Capital grants and contributions decreased for Governmental Activities due to the completion of a multi-year rails to trails project, the Tracks at Brea. Additionally, this category decreased for both Governmental and Business-type activities due to the capitalization of contributed infrastructure in Fiscal year 2017-18 from a large development.

Total expenses for Fiscal Year 2018-19 were \$77 million, holding steady when compared to Fiscal Year 2017-18.

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).

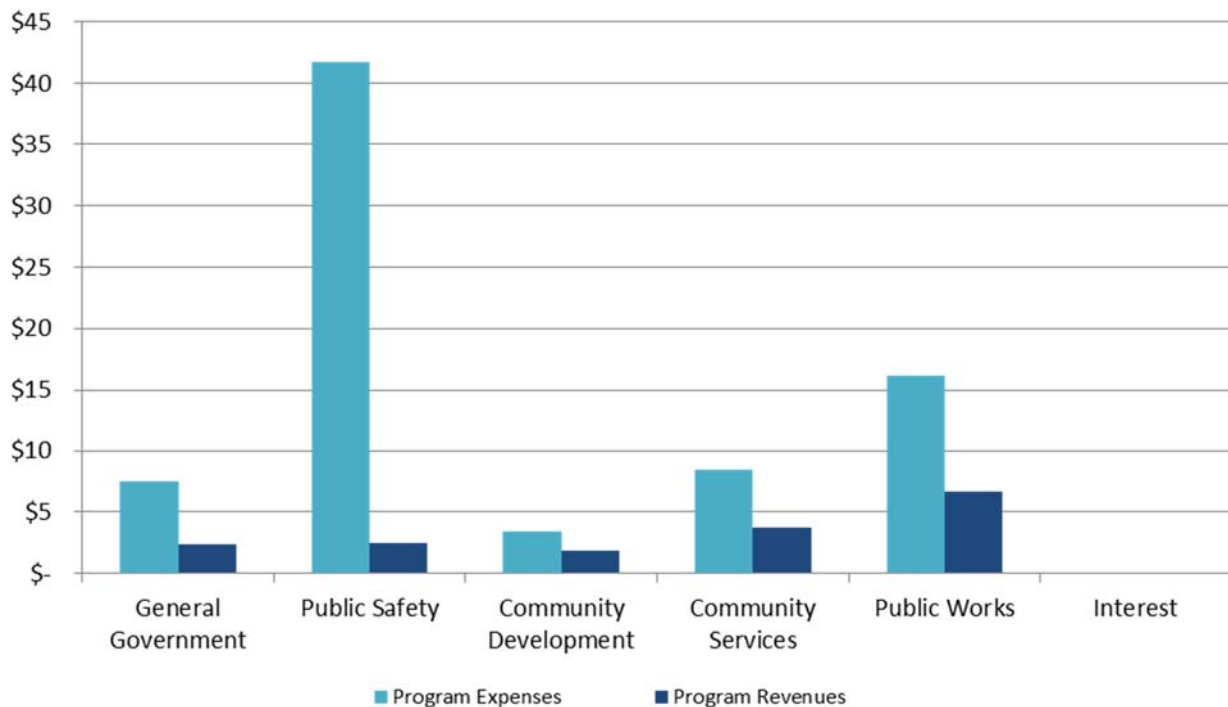
Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the City's general taxes support each of the City's programs.

**Table 3  
Governmental Activities  
Fiscal Year Ended June 30, 2019  
(in thousands)**

	Program Expenses		Program Revenues	
	2019	2018	2019	2018
General government	7,547	\$ 6,680	\$ 2,355	\$ 3,073
Public safety	41,778	40,137	2,448	2,615
Community development	3,410	3,784	1,834	5,127
Community services	8,443	8,055	3,758	3,745
Public works	16,207	18,324	6,708	43,839
Interest on long-term debt	78	380	-	-
<b>Totals</b>	<b>\$ 77,463</b>	<b>\$ 77,360</b>	<b>\$ 17,103</b>	<b>\$ 58,399</b>

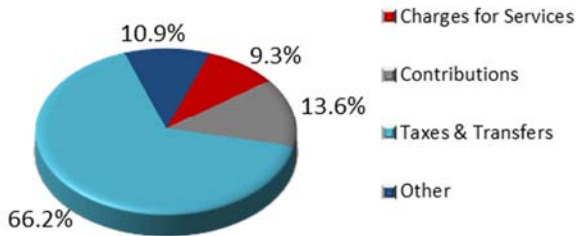
Of the \$17 million in program revenues that financed the Governmental Activities, 39% was utilized for Public Works, 22% was utilized for Community Services, 14% supplemented both the General Government and Public Safety and 11% was utilized for Community Development.

**Table 4  
Program Expenses and Revenues - Governmental Activities  
Fiscal Year Ended June 30, 2019  
(in millions)**

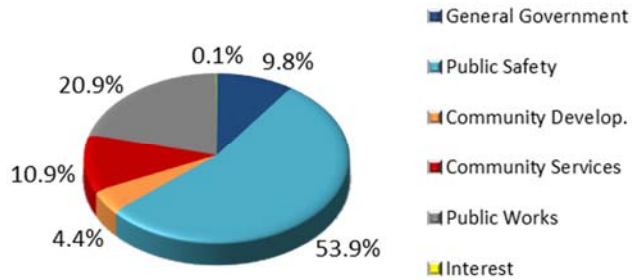


**Table 5  
Governmental Activities  
Fiscal Year Ended June 30, 2019**

**Revenues by Source**



**Functional Expense**



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

*Revenues*

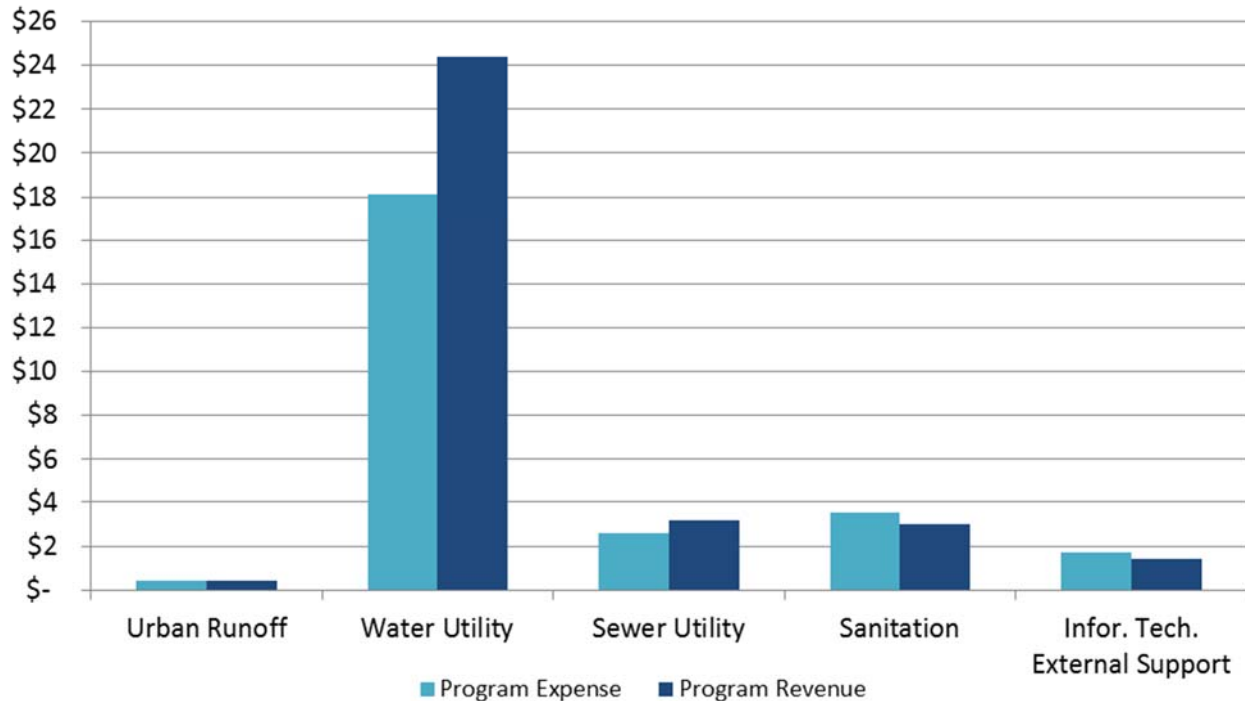
- The City's combined amount of program revenues, general revenues, taxes and transfers was \$74.7 million. This amount includes operating and capital contributions and grants of \$10.2 million and \$49.5 million in taxes and transfers.
- Of the \$74.7 million in total governmental revenues and transfers, 9.3% represents program revenues, 13.6% represents contributions and 66.2% represents taxes & transfers. Other revenues make up the remaining 10.9%.

*Expenses*

- In the current year, expenses for all Governmental Activities were \$77.4 million. See Table 5 above for an analysis of the expenses by function/program.

**Business-type Activities** – Business-type Activities increased the City’s net position by \$8 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, 2019**  
**(in millions)**



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

The water utility activity had an increase in net position of \$7.5 million. The increase in net position was primarily due to developer contributions of \$2.1 million, as well as \$1.3 million decrease in nonoperating expenditures. Of the \$15 million in water related expenses, 42.5% was from the purchase of water, 17.9% was from maintenance and other operating expenses, 15.6% was from depreciation, and 24.% covered personnel costs. Water rates were adjusted effective July 2017, 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 \$789,433. The increase in net position was primarily due to developer contributions. Of the \$2.6 million in sewer related expenses, 41% was from maintenance and other operating expenses, 20% from depreciation and 39% from personnel costs.

The urban runoff activity had an increase in net position of \$48,928. This increase was primarily due to revenues over expenses. Operating expenses, which include maintenance and operation costs of \$206,580, personnel costs of \$212,624 and depreciation of \$938, totaled \$420,142 while operating and non-operating revenues totaled \$444,858.

The sanitation utility activity had an increase in net position of \$69,990. The increase in net position was due to transfer in of \$516,300, due to expenditures exceeding revenues. Operating expenses, included maintenance and operation costs of \$2.6 million and personnel costs of \$782,3678.

The information technology external support activity had a decrease in net position of \$245,183. Operating expenses and transfer out of \$1.6 million exceeded operating revenues of \$1.4 million.

## 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 \$87 million, an increase of \$6.5 million. Non-spendable fund balance of \$8,826 is for advances to other funds. Restricted fund balance totals \$52.3 million, legally restricted by external parties. Committed fund balance of \$980,101 is primarily for ongoing updating of the general plan. Assigned fund balance totals \$12.8 million which is primarily for community center and capital assets replacement. Unassigned fund balance totals \$21.2 million.

The General Fund ended the fiscal year with a \$43.7 million fund balance, a net increase of \$7.5 million. Non-spendable fund balance of \$8,826 is for prepaid items. Restricted fund balance of \$8.7 million includes \$7.3 million toward the payment of the City's pension obligations and remaining is for items such as debt service funds with trustees as well as for lighting and landscape districts. Committed fund balance of \$980,101 is primarily for ongoing updating of the general plan. Assigned fund balance of \$12.8 million is primarily for community center and capital assets replacement. Unassigned fund balance of \$21.2 million is available for future appropriations.

The Housing Successor Fund ended the fiscal year with a fund balance of \$20.9 million all of which is restricted for affordable housing activities and for notes and loans receivable.

The City's Capital Projects Fund ended the fiscal year with a fund balance of \$5 million, a decrease of \$2.7 million. Restricted fund balance of \$5 million is primarily 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 ended the fiscal year with a net position of \$72 million, an increase of \$7.4 million from prior year. The increase in net position was primarily due to the \$2.1 million developer contribution of capital assets for the La Floresta Development, as well as revenues over expenditures of \$5.4 million. Of the \$72 million in net position \$37.2 million is net investment in capital assets, \$5.8 million is restricted for debt service and \$28.9 million is unrestricted.

The Sewer Utility Fund ended the fiscal year with \$20.2 million in net position, an increase of \$789,433. The increase in net position was primarily due to \$640,868 in developer contributions for the La Floresta Development. Of the \$20.2 million in net position \$18.2 million is net investment in capital assets and the balance is unrestricted.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The final budgeted resources and transfers in for the General Fund at fiscal year-end were \$4,612,500 more than the original budget and total actual resources and transfers-in were \$666,371 more than the final budget.

The final appropriations and transfers out for the General Fund at fiscal year-end were \$5.1 million more than the original budget and total actual expenditures and transfers out were \$7.2 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 \$4,612,500 variance was primarily due to an increase of \$3.4 million in tax revenues.

Changes to Appropriation (Outflows):

- The variance between original budget and final budget of \$5.1 million was primarily due to a \$2.9 million increase in transfers out toward the funding of various capital projects and a \$2.2 million increase in overall City expenditures, including the carryover of prior year appropriations.

### Variances with Final Budget

Resources (Inflows):

- The variance between budgeted and actual resources was \$666,371 primarily due to investment income.

Charges to Appropriation (Outflows):

- The variance between budgeted and actual charges of \$7.2 million was due to \$3.8 million decrease in transfers out and \$3.4 million decrease in operational charges across all departments including capital outlay. Operational charges for Public Safety department decreased by \$1.3 million, Public Works decreased by \$725,304, Community Services decreased by \$528,862 and the remaining variance was spread over Community Development and General Government.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2019, amounts to \$314 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 \$2.2 million represents a less than 1% decrease from last year.

**Table 7**  
**Capital Assets (net of depreciation)**  
**Fiscal Year Ended June 30, 2019**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 61,778	\$ 57,236	\$ 3,058	\$ 2,850	\$ 64,836	\$ 60,086
Water rights	-	-	32,375	32,375	32,375	32,375
Structures and improvements	63,266	65,582	24	25	63,290	65,607
Equipment	8,750	8,433	34	57	8,784	8,490
Infrastructure	74,625	79,159	69,319	69,672	143,944	148,831
Construction-in-progress	524	331	-	204	524	535
Totals	<u>\$ 208,943</u>	<u>\$ 210,741</u>	<u>\$ 104,810</u>	<u>\$ 105,183</u>	<u>\$ 313,753</u>	<u>\$ 315,924</u>

The decrease to construction-in-progress for Business Type Activities totaled \$204 million, as noted above. This was primarily due to the completion of two capital improvement projects. The following projects were completed in Fiscal Year 2018-19:

- Sewer Mainline Relining
- Randolph/Imperial/Lambert/St. College

Additional information on the City's capital assets can be found in Note (7) 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 \$54 million for all governmental and business-type activities.

**Table 8**  
**Bonds and Capital Leases**  
**Fiscal Year Ended June 30, 2019**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Lease revenue bonds	\$ 2,760	\$ 2,760	\$ -	\$ -	\$ 2,760	\$ 2,760
Water revenue bonds	-	-	48,010	49,110	48,010	49,110
Capital leases	3,193	3,658	-	-	3,193	3,658
Totals	<u>\$ 5,953</u>	<u>\$ 6,418</u>	<u>\$ 48,010</u>	<u>\$ 49,110</u>	<u>\$ 53,963</u>	<u>\$ 55,528</u>

Additional information on the City's long-term debt can be found in Note (8) of the Notes to the Financial Statements.

## FACTORS EFFECTING NEXT YEAR'S BUDGET

The Fiscal Year 2019-20 General Fund budgeted expenditures are \$55.7 million and budgeted revenues are \$54.6 million.

A brief summary of the factors considered when preparing the Fiscal Year 2019-20 budget are as follows:

- Sales tax represents the single largest source of General Fund revenue, budgeted at \$20.4 million for Fiscal Year 2019-20 as originally projected. Based on economic data trends and projections, the City's baseline sales tax is projected to improve by 2% for Fiscal Year 2019-20. However, it is noted that the Fiscal Year 2019-20 projections as compared to the Fiscal Year 2018-19 actual sales tax revenues are lower due to one-time, non-recurring payments and activity that occurred in Fiscal Year 2018-19. 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 increase by approximately 6.3% and represent \$11.5 million of General Fund revenues.

## 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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**BASIC FINANCIAL STATEMENTS**

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**CITY OF BREA, CALIFORNIA**

**STATEMENT OF NET POSITION  
JUNE 30, 2019**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
<b>Current Assets:</b>			
Cash and investments	\$ 68,840,014	\$ 29,428,497	\$ 98,268,511
Prepaid items	8,826	-	8,826
<b>Receivables:</b>			
Taxes	140,418	-	140,418
Accounts	1,553,425	4,694,040	6,247,465
Accrued interest	2,538,510	-	2,538,510
Notes and loans	17,770,782	-	17,770,782
Internal balances	433,665	(433,665)	-
Due from other governments	10,077,310	11,371	10,088,681
Due from Successor Agency	8,347	-	8,347
Land held for resale	800,000	-	800,000
<b>Total Current Assets</b>	<b>102,171,297</b>	<b>33,700,243</b>	<b>135,871,540</b>
<b>Noncurrent assets:</b>			
<b>Restricted assets:</b>			
Cash and investments	7,742,302	756,800	8,499,102
Cash with fiscal agent	269,021	5,843,171	6,112,192
Capital assets not being depreciated	62,302,051	35,433,675	97,735,726
Capital assets, net of depreciation	146,640,856	69,376,676	216,017,532
Equity in California Domestic Water Company	-	11,384,673	11,384,673
<b>Total Noncurrent Assets</b>	<b>216,954,230</b>	<b>122,794,995</b>	<b>339,749,225</b>
<b>Total Assets</b>	<b>319,125,527</b>	<b>156,495,238</b>	<b>475,620,765</b>
<b>Deferred Outflows of Resources:</b>			
Deferred charge on refunding	-	327,608	327,608
Deferred amounts related to pensions	16,362,512	1,525,471	17,887,983
Deferred amounts related to OPEB	1,074,879	155,781	1,230,660
<b>Total Deferred Outflows of Resources</b>	<b>17,437,391</b>	<b>2,008,860</b>	<b>19,446,251</b>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	2,613,752	2,311,629	4,925,381
Accrued liabilities	1,417,552	-	1,417,552
Accrued interest	85,584	1,338,171	1,423,755
Unearned revenue	1,424,193	-	1,424,193
Deposits payable	369,720	263,730	633,450
Due to other governments	1,636,559	-	1,636,559
Long-term liabilities, due within one year	4,260,181	1,359,274	5,619,455
<b>Total Current Liabilities</b>	<b>11,807,541</b>	<b>5,272,804</b>	<b>17,080,345</b>
<b>Noncurrent liabilities:</b>			
Long-term liabilities, due in more than one year	9,460,442	48,628,951	58,089,393
Total OPEB liability	22,280,421	3,325,683	25,606,104
Net pension liability	112,177,278	12,685,676	124,862,954
<b>Total Noncurrent Liabilities</b>	<b>143,918,141</b>	<b>64,640,310</b>	<b>208,558,451</b>
<b>Total Liabilities</b>	<b>155,725,682</b>	<b>69,913,114</b>	<b>225,638,796</b>
<b>Deferred Inflows of Resources:</b>			
Deferred amounts related to pensions	1,050,238	924,468	1,974,706
Deferred amounts related to OPEB	2,130,377	316,917	2,447,294
<b>Total Deferred Inflows of Resources</b>	<b>3,180,615</b>	<b>1,241,385</b>	<b>4,422,000</b>
<b>Net Position:</b>			
Net investment in capital assets	202,990,193	55,408,764	258,398,957
<b>Restricted for:</b>			
Affordable housing	27,361,991	-	27,361,991
Public safety	566,039	-	566,039
Public works	8,742,382	-	8,742,382
Capital projects	15,645,688	-	15,645,688
Debt service	269,021	5,843,171	6,112,192
Unrestricted	(77,918,693)	26,097,664	(51,821,029)
<b>Total Net Position</b>	<b>\$ 177,656,621</b>	<b>\$ 87,349,599</b>	<b>\$ 265,006,220</b>

See accompanying notes to basic financial statements.

**CITY OF BREA, CALIFORNIA**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government	\$ 7,546,630	\$ 1,137,478	\$ 1,217,716	\$ -
Public safety	41,777,845	1,392,205	1,055,513	-
Community development	3,410,346	1,048,258	469,773	315,713
Community services	8,442,748	3,117,696	640,016	-
Public works	16,207,579	237,689	1,827,317	4,643,430
Interest on long-term debt	78,066	-	-	-
<b>Total governmental activities</b>	<b>77,463,214</b>	<b>6,933,326</b>	<b>5,210,335</b>	<b>4,959,143</b>
<b>Business-type activities:</b>				
Urban runoff	422,699	444,857	-	-
Water utility	18,136,961	21,870,826	490,619	2,064,669
Sewer utility	2,623,606	2,593,670	-	640,868
Sanitation	3,450,228	2,969,334	11,371	-
Information technology external support	1,656,765	1,380,895	-	-
<b>Total business-type activities</b>	<b>26,290,259</b>	<b>29,259,582</b>	<b>501,990</b>	<b>2,705,537</b>
<b>Total primary government</b>	<b>\$ 103,753,473</b>	<b>\$ 36,192,908</b>	<b>\$ 5,712,325</b>	<b>\$ 7,664,680</b>

General revenues:

Taxes:

- Property taxes - general purposes
- Property taxes - paramedic program
- Transient occupancy tax
- Sales taxes
- Franchise tax
- Business licenses taxes
- Other taxes

- Motor vehicle in lieu - unrestricted
- Use of money and property
- Other

- Gain on disposal of capital assets
- Total general revenues

Transfers

- Change in net position
- Net Position at Beginning of Year

**Net Position at End of Year**

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (5,191,436)	\$ -	\$ (5,191,436)
(39,330,127)	-	(39,330,127)
(1,576,602)	-	(1,576,602)
(4,685,036)	-	(4,685,036)
(9,499,143)	-	(9,499,143)
(78,066)	-	(78,066)
<u>(60,360,410)</u>	<u>-</u>	<u>(60,360,410)</u>
-	22,158	22,158
-	6,289,153	6,289,153
-	610,932	610,932
-	(469,523)	(469,523)
-	(275,870)	(275,870)
<u>-</u>	<u>6,176,850</u>	<u>6,176,850</u>
<u>(60,360,410)</u>	<u>6,176,850</u>	<u>(54,183,560)</u>
16,625,972	-	16,625,972
4,041,308	-	4,041,308
1,805,609	-	1,805,609
23,319,589	-	23,319,589
2,550,523	-	2,550,523
1,110,975	-	1,110,975
484,664	-	484,664
79,772	-	79,772
3,840,130	1,240,123	5,080,253
4,215,913	-	4,215,913
108,661	89,293	197,954
<u>58,183,116</u>	<u>1,329,416</u>	<u>59,512,532</u>
<u>(516,300)</u>	<u>516,300</u>	<u>-</u>
<u>(2,693,594)</u>	<u>8,022,566</u>	<u>5,328,972</u>
<u>180,350,215</u>	<u>79,327,033</u>	<u>259,677,248</u>
<u>\$ 177,656,621</u>	<u>\$ 87,349,599</u>	<u>\$ 265,006,220</u>

See accompanying notes to basic financial statements.

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## **GOVERNMENTAL FUNDS**

### **MAJOR GOVERNMENTAL FUNDS**

#### **GENERAL FUND**

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

#### **HOUSING SUCCESSOR 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 loan repayments generated from the use of the former Brea Redevelopment Agency's Low and Moderate Income Housing Funds.

#### **CAPITAL IMPROVEMENTS FUND**

The Capital Improvements Fund 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 non-major Special Revenue Funds and General Fund.

### **NON-MAJOR GOVERNMENTAL 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 Non-major Governmental Funds.

**CITY OF BREA, CALIFORNIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

		Special Revenue Fund	Capital Projects Fund
	General	Housing Successor	Capital Improvements
<b>Assets:</b>			
Cash and investments	\$ 33,245,832	\$ 5,078,859	\$ 5,985,698
Prepaid items	8,826	-	-
Receivables:			
Taxes	119,814	-	-
Accounts	1,420,723	13,808	-
Interest	586,482	1,940,691	11,337
Notes and loans	-	15,929,161	-
Due from other funds	265,170	-	-
Due from other governments	5,704,877	-	3,855,506
Due from Successor Agency	8,347	-	-
Land held for resale	-	800,000	-
Restricted assets:			
Cash and investments	7,742,302	-	-
Cash and investments with fiscal agents	269,021	-	-
<b>Total assets</b>	<b>\$ 49,371,394</b>	<b>\$ 23,762,519</b>	<b>\$ 9,852,541</b>
<b>Liabilities, deferred inflows of resources, and fund balances:</b>			
Liabilities:			
Account payable	\$ 1,266,561	\$ 1,538	\$ 978,378
Accrued liabilities	1,417,552	-	-
Unearned revenues	1,367,576	-	56,617
Deposits payable	368,803	917	-
Due to other funds	-	-	-
Due to other governments	7,618	-	-
<b>Total liabilities</b>	<b>4,428,110</b>	<b>2,455</b>	<b>1,034,995</b>
Deferred Inflows of Resources:			
Unavailable revenues	1,311,178	2,873,848	3,855,507
Fund balances (deficit):			
Nonspendable	8,826	-	-
Restricted	8,661,782	20,886,216	4,962,039
Committed	980,101	-	-
Assigned	12,777,708	-	-
Unassigned	21,203,689	-	-
<b>Total fund balances</b>	<b>43,632,106</b>	<b>20,886,216</b>	<b>4,962,039</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 49,371,394</b>	<b>\$ 23,762,519</b>	<b>\$ 9,852,541</b>

See accompanying notes to basic financial statements.

Non-major Governmental Funds	Total Governmental Funds
\$ 17,150,986	\$ 61,461,375
-	8,826
20,604	140,418
-	1,434,531
-	2,538,510
1,841,621	17,770,782
-	265,170
508,346	10,068,729
-	8,347
-	800,000
-	7,742,302
-	269,021
\$ 19,521,557	\$ 102,508,011

\$ 63,906	\$ 2,310,383
-	1,417,552
-	1,424,193
-	369,720
56,376	56,376
1,628,941	1,636,559
1,749,223	7,214,783

22,637	8,063,170
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-	8,826
17,776,853	52,286,890
-	980,101
-	12,777,708
(27,156)	21,176,533
17,749,697	87,230,058

\$ 19,521,557	\$ 102,508,011
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See accompanying notes to basic financial statements.

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**CITY OF BREA, CALIFORNIA**

**RECONCILIATION OF THE GOVERNMENTAL  
FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

Fund balances of governmental funds		\$ 87,230,058
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity. Those capital assets consist of:</p>		
Capital assets, depreciable and nondepreciable	\$ 334,194,861	
Accumulated depreciation	<u>(131,208,668)</u>	202,986,193
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds. Those long term liabilities consist of:</p>		
Lease revenue bonds	(2,760,000)	
Capital leases payable	(3,192,714)	
Compensated absences	<u>(2,524,288)</u>	(8,477,002)
<p>Accrued interest payable for the current portion of interest due on bonds does not require the use of current financial resources and therefore has not been reported in the governmental funds.</p>		
		(85,584)
<p>Amounts reported for net pension liability and total OPEB liability are not due in the current period and therefore are not reported in the governmental funds. Related components that will affect the net pension liability and total OPEB liability in future measurement years are reported as deferred outflows and deferred inflows of resources are not reported in the governmental funds.</p>		
Net pension liability	(108,178,808)	
Total OPEB liability	(20,216,986)	
Deferred outflows of resources related to pensions	15,834,280	
Deferred outflows of resources related to OPEB	933,088	
Deferred inflows of resources related to pensions	(964,155)	
Deferred inflows of resources related to OPEB	<u>(1,967,938)</u>	(114,560,519)
<p>Revenues reported as unavailable revenues in the governmental funds do not provide current financial resources but are recognized in the in the statement of activities.</p>		
		8,063,170
<p>Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows and inflows of resources, and liabilities of the internal service funds are included in governmental activities in the statement of net position.</p>		
		<u>2,500,305</u>
<b>Net Position of Governmental Activities</b>		<u><u>\$ 177,656,621</u></u>

See accompanying notes to basic financial statements.

**CITY OF BREA, CALIFORNIA**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

		Special Revenue Fund	Capital Projects Fund
	General	Housing Successor	Capital Improvements
<b>Revenues:</b>			
Taxes	\$ 44,889,030	\$ -	\$ -
Licenses and permits	606,355	-	-
Intergovernmental	9,107,164	-	4,149,761
Charges for services	3,810,657	-	127,578
Investment income, net	1,670,458	203,981	302,352
Fines and forfeitures	682,762	-	-
Developer contributions	-	-	102,886
Rental income	1,662,487	-	-
Other revenues	3,017,005	161,642	32,317
<b>Total revenues</b>	<b>65,445,918</b>	<b>365,623</b>	<b>4,714,894</b>
<b>Expenditures:</b>			
Current:			
General government	5,732,627	-	134,495
Public safety	35,120,119	-	-
Community development	2,716,848	200,923	-
Community services	7,540,687	-	-
Public works	5,054,521	-	8,800
Capital outlay	10,549	-	9,514,171
Debt service:			
Principal	465,458	-	-
Interest and fiscal charges	368,468	-	-
<b>Total expenditures</b>	<b>57,009,277</b>	<b>200,923</b>	<b>9,657,466</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>8,436,641</b>	<b>164,700</b>	<b>(4,942,572)</b>
<b>Other financing sources (uses):</b>			
Transfers in	660,000	-	2,483,969
Transfers out	(1,557,872)	-	(310,000)
<b>Total other financing sources (uses)</b>	<b>(897,872)</b>	<b>-</b>	<b>2,173,969</b>
<b>Net changes in fund balances</b>	<b>7,538,769</b>	<b>164,700</b>	<b>(2,768,603)</b>
<b>Fund balances, beginning of year</b>	<b>36,093,337</b>	<b>20,721,516</b>	<b>7,730,642</b>
<b>Fund balances, end of year</b>	<b>\$ 43,632,106</b>	<b>\$ 20,886,216</b>	<b>\$ 4,962,039</b>

See accompanying notes to basic financial statements.

Non-major Governmental Funds	Total Governmental Funds
\$ 2,211,433	\$ 47,100,463
-	606,355
2,103,089	15,360,014
15,000	3,953,235
606,229	2,783,020
209,358	892,120
-	102,886
-	1,662,487
213,459	3,424,423
<u>5,358,568</u>	<u>75,885,003</u>
412	5,867,534
1,174,297	36,294,416
122,698	3,040,469
-	7,540,687
314,666	5,377,987
-	9,524,720
-	465,458
-	368,468
<u>1,612,073</u>	<u>68,479,739</u>
<u>3,746,495</u>	<u>7,405,264</u>
-	3,143,969
<u>(2,152,397)</u>	<u>(4,020,269)</u>
<u>(2,152,397)</u>	<u>(876,300)</u>
1,594,098	6,528,964
<u>16,155,599</u>	<u>80,701,094</u>
<u>\$ 17,749,697</u>	<u>\$ 87,230,058</u>

See accompanying notes to basic financial statements.

**CITY OF BREA, CALIFORNIA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

Net change in fund balances - total governmental funds \$ 6,528,964

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 are allocated over their estimated useful lives as depreciation expenses. Additionally, certain capital contributions are only reported as revenues on the government wide statement of activities.

Capital outlay	\$ 5,133,599	
Depreciation	<u>(7,764,259)</u>	(2,630,660)

The issuance of long-term debt (e.g., bonds, leases) provides current resources to governmental funds, while the repayment of long-term debt principal is an expenditure in the governmental funds; The issuance of debt 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 when debt is first issued, whereas these amounts are amortized in the statement of activities.

Capital leases principal payments		465,458
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Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. These expenses consist of the following:

Changes in interest payable for long-term liabilities		3,335
Changes in compensated absences		(131,809)
Changes in total OPEB liabilities and related deferred outflows and inflows of resources		(38,353)
Changes in net pension liabilities and related deferred outflows and inflows of resources		<u>(6,365,067)</u>

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		(666,997)
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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.

		<u>141,535</u>
Change in net position of governmental activities		<u><u>\$ (2,693,594)</u></u>

See accompanying notes to basic financial statements.



## **PROPRIETARY FUNDS**

### **MAJOR ENTERPRISE FUNDS**

#### **WATER UTILITY FUND**

The Water Utility Fund is a Major Fund used to account for the operations of the City's water utility, which are operated in 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.

#### **SEWER UTILITY FUND**

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 ENTERPRISE 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 Non-major Enterprise Funds.

### **GOVERNMENTAL ACTIVITIES**

#### **INTERNAL SERVICES FUNDS**

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

**CITY OF BREA, CALIFORNIA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2019**

	Business-Type Activities			Total Enterprise Funds	Governmental
	Water Utility	Sewer Utility	Non-major Enterprise Funds		Activities Internal Service Funds
<b>Assets:</b>					
Current assets:					
Cash and investments	\$ 24,000,611	\$ 4,210,197	\$ 1,217,689	\$ 29,428,497	\$ 7,378,639
Receivables:					
Accounts receivable	3,206,617	590,184	897,239	4,694,040	118,894
Due from other governments	-	-	11,371	11,371	8,581
<b>Total current assets</b>	<b>27,207,228</b>	<b>4,800,381</b>	<b>2,126,299</b>	<b>34,133,908</b>	<b>7,506,114</b>
Noncurrent assets:					
Restricted cash and investments	380,000	139,000	237,800	756,800	-
Restricted - Cash and investments with fiscal agent	5,843,171	-	-	5,843,171	-
Capital assets - net of accumulated depreciation	86,646,052	18,163,909	390	104,810,351	5,956,714
Equity in California Domestic Water Company	11,384,673	-	-	11,384,673	-
<b>Total noncurrent assets</b>	<b>104,253,896</b>	<b>18,302,909</b>	<b>238,190</b>	<b>122,794,995</b>	<b>5,956,714</b>
<b>Total assets</b>	<b>131,461,124</b>	<b>23,103,290</b>	<b>2,364,489</b>	<b>156,928,903</b>	<b>13,462,828</b>
<b>Deferred outflows of resources:</b>					
Deferred charge on refunding	327,608	-	-	327,608	-
Deferred pension related items	644,636	251,034	629,801	1,525,471	528,232
Deferred OPEB related items	69,045	25,708	61,028	155,781	141,791
<b>Total deferred outflows of resources</b>	<b>1,041,289</b>	<b>276,742</b>	<b>690,829</b>	<b>2,008,860</b>	<b>670,023</b>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	2,012,811	34,402	264,416	2,311,629	303,369
Accrued interest	1,338,171	-	-	1,338,171	-
Deposits payable	263,730	-	-	263,730	-
Due to other funds	-	-	208,794	208,794	-
Compensated absences, due within one year	98,684	27,850	67,740	194,274	77,022
Claims and judgments, due within one year	-	-	-	-	1,799,324
Bonds, notes, and capital leases, due within one year	1,165,000	-	-	1,165,000	-
<b>Total current liabilities</b>	<b>4,878,396</b>	<b>62,252</b>	<b>540,950</b>	<b>5,481,598</b>	<b>2,179,715</b>
Non-current liabilities:					
Compensated absences, due in more than one year	32,894	9,283	22,579	64,756	25,674
Claims and judgments, due in more than one year	-	-	-	-	3,341,601
Net pension liability	5,163,139	2,345,703	5,176,834	12,685,676	3,998,470
Total OPEB liability	1,379,708	505,524	1,440,451	3,325,683	2,063,435
Bonds, notes, and capital leases, due in more than one year	48,564,195	-	-	48,564,195	-
<b>Total noncurrent liabilities</b>	<b>55,139,936</b>	<b>2,860,510</b>	<b>6,639,864</b>	<b>64,640,310</b>	<b>9,429,180</b>
<b>Total liabilities</b>	<b>60,018,332</b>	<b>2,922,762</b>	<b>7,180,814</b>	<b>70,121,908</b>	<b>11,608,895</b>
<b>Deferred inflows of resources</b>					
Deferred pension related items	339,639	240,750	344,079	924,468	86,083
Deferred OPEB related items	132,494	48,640	135,783	316,917	162,439
<b>Total Deferred Inflows of Resources</b>	<b>472,133</b>	<b>289,390</b>	<b>479,862</b>	<b>1,241,385</b>	<b>248,522</b>
<b>Net position (deficit):</b>					
Net investment in capital assets	37,244,465	18,163,909	390	55,408,764	5,956,714
Restricted for debt service	5,843,171	-	-	5,843,171	-
Unrestricted	28,924,312	2,003,971	(4,605,748)	26,322,535	(3,681,280)
<b>Total net position (deficit)</b>	<b>\$ 72,011,948</b>	<b>\$ 20,167,880</b>	<b>\$ (4,605,358)</b>	<b>\$ 87,574,470</b>	<b>\$ 2,275,434</b>
<b>Reconciliation of Net Position to the Statement of Net Position</b>					
Net Position per Statement of Net Position - Proprietary Funds				87,574,470	
Accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds				(224,871)	
<b>Net Position of Business-Type Activities</b>				<b>\$ 87,349,599</b>	

See accompanying notes to basic financial statements.

**CITY OF BREA, CALIFORNIA**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities			Total Enterprise Funds	Governmental Activities Internal Service Funds
	Water Utility	Sewer Utility	Non-major Enterprise Funds		
<b>Operating revenues:</b>					
Charges for services	\$ 20,984,385	\$ 2,367,785	\$ 4,764,281	\$ 28,116,451	\$ 9,896,524
Connection fees	377,910	7,235	-	385,145	-
Fines and forfeitures	300,406	-	318	300,724	-
Other revenues	208,125	218,650	30,487	457,262	295,309
<b>Total operating revenues</b>	<b>21,870,826</b>	<b>2,593,670</b>	<b>4,795,086</b>	<b>29,259,582</b>	<b>10,191,833</b>
<b>Operating expenses:</b>					
Personnel services	3,602,508	1,015,780	2,490,262	7,108,550	3,745,438
Maintenance and operation	2,692,032	1,068,785	3,001,091	6,761,908	4,382,018
Cost of purchased water	6,399,860	-	-	6,399,860	-
Claims and judgements	-	-	-	-	1,942,325
Depreciation expense	2,350,949	522,498	938	2,874,385	789,280
<b>Total operating expenses</b>	<b>15,045,349</b>	<b>2,607,063</b>	<b>5,492,291</b>	<b>23,144,703</b>	<b>10,859,061</b>
<b>Operating income (loss)</b>	<b>6,825,477</b>	<b>(13,393)</b>	<b>(697,205)</b>	<b>6,114,879</b>	<b>(667,228)</b>
<b>Nonoperating revenues (expenses):</b>					
Federal interest subsidy on debt	490,619	-	-	490,619	-
Intergovernmental revenues	-	-	11,371	11,371	-
Interest revenue	-	161,958	43,269	205,227	287,067
Interest expense	(1,742,724)	-	-	(1,742,724)	-
Change in equity of California Domestic Water Company	(274,154)	-	-	(274,154)	-
Gain (loss) on disposal of capital assets	89,293	-	-	89,293	67,914
<b>Total nonoperating revenues (expenses)</b>	<b>(1,436,966)</b>	<b>161,958</b>	<b>54,640</b>	<b>(1,220,368)</b>	<b>354,981</b>
<b>Income (loss) before transfers</b>	<b>5,388,511</b>	<b>148,565</b>	<b>(642,565)</b>	<b>4,894,511</b>	<b>(312,247)</b>
<b>Transfers and capital contributions:</b>					
Transfers in	-	-	516,300	516,300	360,000
Developer contributions	2,064,669	640,868	-	2,705,537	-
<b>Total transfers and capital contributions</b>	<b>2,064,669</b>	<b>640,868</b>	<b>516,300</b>	<b>3,221,837</b>	<b>360,000</b>
<b>Change in net position</b>	<b>7,453,180</b>	<b>789,433</b>	<b>(126,265)</b>	<b>8,116,348</b>	<b>47,753</b>
<b>Net position (deficit):</b>					
<b>Net position (deficit) at beginning of year</b>	<b>64,558,768</b>	<b>19,378,447</b>	<b>(4,479,093)</b>	<b>79,458,122</b>	<b>2,227,681</b>
<b>Net position (deficit) at end of year</b>	<b>\$ 72,011,948</b>	<b>\$ 20,167,880</b>	<b>\$ (4,605,358)</b>	<b>\$ 87,574,470</b>	<b>\$ 2,275,434</b>

**Reconciliation of Changes in Net Position to the Statement of Activities:**

Changes in Net Position, per the Statement of Revenues, Expense and Changes in Fund Net Position - Proprietary Funds	\$ 8,116,348
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	(93,782)
<b>Changes in Net Position of Business-Type Activities per Statement of Activities</b>	<b>\$ 8,022,566</b>

See accompanying notes to basic financial statements.

**CITY OF BREA, CALIFORNIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities			Total Enterprise Funds	Governmental
	Water Utility	Sewer Utility	Non-major Enterprise Funds		Activities Internal Service Funds
<b>Cash flows from operating activities:</b>					
Cash received from customers and users	\$ 22,382,846	\$ 2,366,191	\$ 4,900,278	\$ 29,649,315	\$ 10,087,308
Cash payments to suppliers for goods and services	(7,050,291)	(1,049,643)	(3,032,850)	(11,132,784)	(3,737,350)
Cash payments to employees for services	(3,180,481)	(877,782)	(2,260,738)	(6,319,001)	(5,106,843)
<b>Net cash provided by (used for) operating activities</b>	<b>12,152,074</b>	<b>438,766</b>	<b>(393,310)</b>	<b>12,197,530</b>	<b>1,243,115</b>
<b>Cash flows from noncapital financing activities:</b>					
Cash transfer in	-	-	516,300	516,300	360,000
Advances received (repaid) from (to) other funds	(407,980)	-	-	(407,980)	289,255
Intergovernmental revenues	-	-	11,371	11,371	-
Federal interest subsidy on debt	490,619	-	-	490,619	-
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>82,639</b>	<b>-</b>	<b>527,671</b>	<b>610,310</b>	<b>649,255</b>
<b>Cash Flows from capital and related financing activities:</b>					
Acquisition and construction of capital assets	-	-	-	-	(1,588,349)
Purchase of common stock	(183,000)	-	-	(183,000)	-
Proceeds from sale of capital assets	89,293	204,231	-	293,524	34,312
Principal and interest paid on long-term debt	(3,799,407)	-	-	(3,799,407)	-
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(3,893,114)</b>	<b>204,231</b>	<b>-</b>	<b>(3,688,883)</b>	<b>(1,554,037)</b>
<b>Cash flows from investing activities:</b>					
Cash transferred to restricted assets	-	-	-	-	-
Interest received	1,034,897	161,958	50,737	1,247,592	287,067
Interest paid	0	-	(7,468)	(7,468)	-
<b>Net cash provided by (used for) investing financing activities</b>	<b>1,034,897</b>	<b>161,958</b>	<b>43,269</b>	<b>1,240,124</b>	<b>287,067</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>9,376,496</b>	<b>804,955</b>	<b>177,630</b>	<b>10,359,081</b>	<b>625,400</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>20,847,286</b>	<b>3,544,242</b>	<b>1,277,859</b>	<b>25,669,387</b>	<b>6,753,239</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 30,223,782</b>	<b>\$ 4,349,197</b>	<b>\$ 1,455,489</b>	<b>\$ 36,028,468</b>	<b>\$ 7,378,639</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ 6,825,477	\$ (13,393)	\$ (697,205)	\$ 6,114,879	\$ (667,228)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,350,949	522,498	938	2,874,385	789,280
Changes in net pension liability and related deferrals	388,288	139,992	319,456	847,736	555,085
Changes in total OPEB liability and related deferrals	2,278	848	2,015	5,141	3,112
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	266,618	(227,479)	105,192	144,331	(112,981)
(Increase) decrease in prepaid expense	606,613	-	-	606,613	508,676
(Increase) decrease due from other governments	245,402	-	-	245,402	(8,581)
Increase (decrease) in accounts payable	1,430,803	19,142	(31,759)	1,418,186	45,024
Increase (decrease) in deposit payables	4,185	-	-	4,185	-
Increase (decrease) increase in claims and judgements	-	-	-	-	119,559
Increase (decrease) in due to other funds	-	-	(71,917)	(71,917)	-
Increase (decrease) in compensated absences	31,461	(2,842)	(20,030)	8,589	11,169
<b>Total adjustments</b>	<b>5,326,597</b>	<b>452,159</b>	<b>303,895</b>	<b>6,082,651</b>	<b>1,910,343</b>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 12,152,074</b>	<b>\$ 438,766</b>	<b>\$ (393,310)</b>	<b>\$ 12,197,530</b>	<b>\$ 1,243,115</b>
<b>Non-cash investing, capital, and financing activities:</b>					
Amortization of bond discount and premium	\$ (63,107)	\$ -	\$ -	\$ (63,107)	\$ -
Amortization of loss on refunding	163,804	-	-	163,804	-
Change in equity of California Domestic Water Company	(91,154)	-	-	(91,154)	-
Capital contributions	2,064,669	640,868	-	2,705,537	-

See accompanying notes to basic financial statements.

## **FIDUCIARY FUNDS**

### **AGENCY FUNDS**

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**

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, CALIFORNIA**

**STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019**

	<b>Agency Funds</b>	<b>Private- Purpose Trust Fund <u>Successor Agency of the Former RDA</u></b>
<b>Assets:</b>		
Cash and investments	\$ 5,676,445	\$ 477,205
Receivables:		
Taxes	7,296	-
Accounts	25,501	-
Accrued interest	-	54,127
Loans	-	1,672,591
Due from other governments	-	426,000
Prepaid insurance	-	18,060
Restricted assets:		
Cash and investments with fiscal agents	1,328,601	12,782,571
Capital assets, net of accumulated depreciation	144,993	-
<b>Total assets</b>	<b>\$ 7,182,836</b>	<b>15,430,554</b>
<b>Deferred outflows of resources:</b>		
Deferred charge on refunding	\$ -	7,262,517
<b>Liabilities:</b>		
Accounts payable	185,704	347,780
Accrued liabilities	559,225	-
Accrued interest	-	1,955,109
Due to the City of Brea	-	8,346
Due to external parties/other agencies	6,437,907	-
Long-term liabilities:		
Due in one year	-	10,315,000
Due in more than one year	-	133,483,603
<b>Total liabilities</b>	<b>\$ 7,182,836</b>	<b>146,109,838</b>
<b>Net Position (deficit):</b>		
Held in trust for other purposes		<b>\$ (123,416,767)</b>

See accompanying notes to basic financial statements.

**CITY OF BREA, CALIFORNIA**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Private-Purpose Trust Fund</b> <hr/> <b>Successor Agency of the Former RDA</b> <hr/>
<b>Additions:</b>	
Taxes	\$ 16,587,652
Interest and changes in fair value of investments	214,793
Sale of assets	103,786
<b>Total additions</b>	<hr/> <b>16,906,231</b> <hr/>
<b>Deductions:</b>	
Administrative expenses	72,056
Contractual services	33,712
Interest expense	5,411,835
Payment to the County of Orange	347,779
Pass through agreement payments	1,626,662
Project expenses	346,724
<b>Total deductions</b>	<hr/> <b>7,838,768</b> <hr/>
<b>Changes in net position</b>	<b>9,067,463</b>
<b>Net position (deficit):</b>	
Trust deficit, beginning of the year	<hr/> <b>(132,484,230)</b> <hr/>
Trust deficit, end of the year	<hr/> <b>\$ (123,416,767)</b> <hr/>

See accompanying notes to basic financial statements.

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## CITY OF BREA, CALIFORNIA

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2019

#### 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, the Brea Community Benefit 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:

##### **Brea Public Financing Authority**

The Brea Public Financing Authority was created by a joint exercise of 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 Brea Public Financing Authority is to provide, through the issuance of debt, financing necessary for various capital improvements. The Brea Public Financing Authority is administered by the Board who are the members of the City Council and the Mayor. The Brea Public Financing Authority's primary source of income is installment sale and lease payments received from the City, which will be used to meet the debt service requirements on debt issues. The Brea Public Financing Authority does not have taxing power. Separate financial statements are not prepared for the Brea Public Financing Authority.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**a. Description of the Reporting Entity (Continued)**

**Brea Community Benefit Financing Authority**

The Brea Community Benefit Financing Authority was created by a joint exercise of powers agreement between the City of Brea and the Industrial Development Authority of the City of Brea on July 22, 2014. The purpose of the Brea Community Benefit Financing Authority is to provide, through the issuance of debt, financing for various capital improvements. The Brea Community Benefit Financing Authority is administered by the Board who are the members of the City Council and the Mayor. The Brea Community Benefit Financing Authority's primary source of income is installment sale payments from the City, which will be used to meet the debt service requirements on debt issues. Separate financial statements are not prepared for the Brea Community Benefit Financing Authority.

**Midbury Assessment Authority**

The Midbury Assessment Authority was created by a joint exercise of 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 is 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. 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. Fiduciary activities of the City are not included in these statements.

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.

CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 revenues and certain revenues related to refuse revenue sharing 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 primary sources of revenue are from loan repayments generated from the use of the former Brea Redevelopment Agency's Low and Moderate Income Housing Funds.

CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- 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.

The City reports the following major proprietary funds:

- The **Water Utility Enterprise 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 users on a continuing basis is financed or recovered primarily through user charges.
- The **Sewer Utility Enterprise 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 users on a continuing basis are financed or recovered primarily through user charges.

Additionally, the City reports the following fund types:

- **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes.
- **Capital Projects Funds** are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- **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 and operations of the internal information technology services program. 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, deferred outflows or resources, 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.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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.

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 investments 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 City reports its investments at fair value in the balance sheet. 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. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

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

The City applies GASB Statement No. 72, *Fair Value Measurements and Application* for determining fair value measurements, applying fair value to investments, and disclosures related to the fair value hierarchy. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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.

Additionally, the City has established the PARS Post-Employment Benefits Trust as a tax-exempt trust within the meaning of Section 115 of the IRS Code to accumulate resources to “stabilize” the amount of its General Fund resources that it will need to meet future contributions requirements to California Public Employees’ Retirement system (CalPERS). The balances and activities of the Trust are irrevocably dedicated to funding future obligations to CalPERS. The assets will benefit the City through reduced future cash flow demands on the City’s General fund resources, and continue to be assets of the City. These amounts are reflected as restricted cash and investments in the General fund.

**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, 2019. The County of Orange assesses, bills, and collects property taxes for the City.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

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

**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. The business-type activities also report prepaid items for certain payments to vendors to be used in future periods.

**Land Held for Resale**

The former Brea Redevelopment Agency acquired land that was primarily used to develop blighted properties. However, the land was transferred to the City. The City 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. The City disposed of all these parcels as required by the Dissolution Act. The City as the Housing Successor to the Brea Redevelopment Agency (Housing Successor) acquired one of these parcels from the Successor Agency.

**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 and infrastructure are defined by the City as assets with an initial, individual cost of more than \$5,000 and \$100,000 respectively and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (Continued)

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
Buildings	40 - 50
Computers	4 - 5
Equipment	4 - 10
Improvements	10 - 50
Infrastructure	40 - 50
Software	5 - 10
Vehicles	4 - 10

The City classifies certain water rights as intangible assets with an indefinite useful life as there are no legal, contractual or other factors that limit the benefits associated with the water rights.

**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. Deferred outflows of resources represent 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 has three items that qualify for reporting in this category. One is deferred charges on refunding reported in the government-wide statement of net position and the proprietary funds statement of net position. Deferred charges 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. The other items are deferred pension and OPEB related items reported in the government-wide statement of net position and the proprietary funds statement of net position

In addition to liabilities, the balance sheet or statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 reports three items as deferred inflows of resources. First, unavailable revenues arise only under a modified accrual basis of accounting, and accordingly, is reported only in the governmental funds balance sheet. These amounts reflect resources that have been earned but not received within the period of availability. Therefore, this does not provide an available financial resource in the current period, and the recognition is deferred until these criteria have been met, as unavailable revenues. The other items are deferred pension and OPEB related items reported in the government-wide statement of net position and the proprietary funds statement of net position.



**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

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

**Compensated Absences**

It is the City's policy for 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 may 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; converted to CalPERS service credits; or for certain employees, transferred to a retiree health savings accounts 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.

**Long-Term Obligations**

In the government-wide financial statements, proprietary fund in the fund financial statements, and in the fiduciary funds 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. Debt service expenditures including principal and interest payments are reported as expenditures.

**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.

**Other Postemployment Benefits (OPEB)**

OPEB expense, deferred outflows/inflows of resources related to OPEB, and an implied subsidy payment were used to measure the total OPEB liability. The City does not provide any cash subsidy towards the benefit, and there are no assets accumulated in a trust for the plan.

CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (Continued)

**Net Pension Liability**

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

**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. Only the General Fund may report nonspendable fund balance for long-term interfund receivables and land held for resale.

Restricted Fund Balance – This amount indicates the portion of fund balances which has been restricted in one of two ways 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. Long-term interfund receivables and land held for resale in governmental funds other than the General Fund are included within restricted fund balance.

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

Unassigned Fund Balance – This includes the excess residual amounts in the General Fund and the residual deficit of all other governmental funds which have not been restricted, committed, or assigned to specific purposes.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

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

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.

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 City'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 is classified as follows:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is 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. As of June 30, 2019, \$49,408,207 of net position is restricted by enabling legislation.

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.”

Sometimes the City 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.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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 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.

**g. Effect of New Accounting Standards**

During the fiscal year ended June 30, 2019, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

**GASB Statement No. 83** – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government’s ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-19 fiscal year. The City implemented this statement effective July 1, 2018. The statement did not have a material impact on the financial statements.

CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**g. Effect of New Accounting Standards (Continued)**

**GASB Statement No. 88** – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The Statement is effective for the reporting periods beginning after June 15, 2018, or the 2018-2019 fiscal year. The City implemented this statement effective July 1, 2018.

**h. Pronouncements Issued But Not Yet Adopted**

The GASB has issued pronouncements that have an effective date subsequent to June 30, 2019, which may impact future financial presentations. The following statements are currently being evaluated by the City's management.

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year.

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or 2020-2021 fiscal year.

**GASB Statement No. 89** – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement is effective for reporting periods beginning after December 15, 2019, or 2020-2021 fiscal year.

CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**h. Pronouncements Issued But Not Yet Adopted (Continued)**

**GASB Statement No. 90** – In September 2018, the GASB issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for reporting periods beginning after December 15, 2018, or 2019-2020.

**GASB Statement No. 91** – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Deficit Fund Balances or Net Position**

The following individual nonmajor funds have a deficit at June 30, 2019:

Community Development Block Grant Special Revenue Fund	\$	(27,156)
Risk Management Internal Service Fund		(80,405)
Information Technology Internal Service Fund		(799,465)
Building Occupancy Internal Service Fund		(178,827)
Sanitation Enterprise Fund		(2,486,439)
Information Technology External Support Enterprise Fund		(2,455,279)

For the Community Development Block Grant special revenue fund, the City expects to eliminate these deficits with anticipated future revenues from grants and program income. For the Risk Management, Information Technology, Building Occupancy, Sanitation, and Information Technology External Support funds, the deficits are the result of pension and OPEB liabilities, which will be eliminated through future charges.

At June 30, 2019, the Successor Agency of the Former RDA Private-purpose Trust Fund had a deficit net position amount of \$123,416,767. The deficit balance will be eliminated with future property tax revenue.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 – CASH AND INVESTMENTS**

As of June 30, 2019, 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	\$ 98,268,511	\$ 6,153,650	\$ 104,422,161
Restricted assets:			
Cash and investments	8,499,102	-	8,499,102
Cash and investments with fiscal agents	6,112,192	14,111,172	20,223,364
Total cash and investments	\$ 112,879,805	\$ 20,264,822	\$ 133,144,627

Cash and investments as of June 30, 2019, consist of the following:

Cash on hand	\$ 8,038
Deposits with financial institutions	2,856,775
Investments	101,557,348
Restricted cash and investments	8,499,102
Cash and investments with fiscal agents	20,223,364
Total cash and investments	\$ 133,144,627

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.

**a. Cash Deposits**

The carrying amount of the City's cash deposits was \$2,856,775 at June 30, 2019. Bank balances were \$3,087,618 at that date. The \$230,843 difference represents outstanding checks and other reconciling items. As of June 30, 2019, the City's deposits with financial institutions were covered by FDIC up to \$250,000, and the remaining amounts of \$2,837,618 were collateralized as described 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.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**b. Investments**

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

Funds of the City, other than bond proceeds and cash deposits 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 the City’s investment policy. The following investments are authorized:

Authorized Investment Type	Credit Ratings	Maximum Maturity	Maximum Percentage or Amount of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations (Bills, Notes and Bonds)	N/A	5 years	No limit	No limit
U.S. Government Sponsored Enterprise Securities*	N/A	5 years	No limit	No limit
Banker's Acceptances	N/A	180 days	40%	30%
Commercial Paper	A-1/A	270 days	25%	10%
Repurchase Agreements	N/A	1 year	No limit	No limit
Certificates of Deposit	N/A	5 years	30%	No limit
Negotiable Certificates of Deposit	N/A	5 years	30%	No limit
Passbook Savings Accounts/Interest Bearing Investment Accounts	N/A	n/a	No limit	No limit
Medium Term Corporate Notes	A	5 years	30%	No limit
Bank Money Market Accounts	AAA	5 years	20%	10%
California Local Agency Investment Fund**	N/A	n/a	\$65,000,000	No limit
County of Orange Investment Fund (County Pool)**	N/A	n/a	No limit	No limit
Asset Backed Securities	AA	5 years	10%	No limit
Supranationals	AA	5 years	15%	5%

\*maximum of 5% in callable bonds issued by such agencies

\*\*State and County investment pools together cannot exceed 60% of the maturity value of the portfolio at the time of purchase, and no more than 40% of the maturity value at the time of purchase can be deposited in any one particular pool.

Provisions of Government Code Section 53601 are to be adhered to at all times. 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 above refers to the maturity value of the portfolio at the time of purchase.

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.



**CITY OF BREA, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**b. Investments (Continued)**

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. Each City may invest up to \$65,000,000. The fair value of the position in the investment pool is the same as the value of the pool shares. The balance available for withdrawal on demand are based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated and not registered with the Securities and Exchange Commission (SEC).

Restricted Cash & Investments

The City has established a Section 115 Trust to accumulate resources for future contributions to CalPERS. As of June 30, 2019, the City reported \$8,499,102 in restricted cash and investments. As of June 30, 2019, the City had \$7,742,302 of restricted cash and investments reported in the general fund in a Section 115 Trust restricted for future pension contributions and \$756,800 held in the business-type funds for bond reserve requirements. In January 2016, the City adopted an investment policy for the Section 115, which authorized the following investments:

- Debt obligations of the U.S. Government, its agencies, and Government Sponsored Enterprises
- Mortgage-Backed Securities
- Asset Backed Securities
- Collateralized Mortgage Obligations
- Commercial Mortgage-Backed Securities
- Corporate debt securities issued by U.S. or foreign entities including, but not limited to, limited partnerships, equipment trust certificates and enhanced equipment trust certificates
- Eligible instruments issued pursuant to SEC Rule 144(a)
- Municipal Bonds
- Money Market Mutual Funds

The portfolio will maintain a minimum weighted average quality of A- at all times. Individual securities shall have a minimum quality rating of Baa3 by Moody's or BBB- by Standard & Poor's (S&P).

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**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	AAA / A-1	AA+	AA-	AA
U.S. Treasury Obligations	N/A	\$ -	\$ -	\$ 19,718,963	\$ -	\$ -
U.S. Government Sponsored Enterprise Securities	N/A	-	-	26,139,555	-	-
Corporate Notes	A	-	909,847	1,786,337	1,557,777	950,129
Money Market Mutual Funds	AAA	-	68,685	-	-	-
Asset Backed Securities	AA	-	3,320,134	-	-	-
Corporate Obligations	AA	-	-	-	702,973	-
Commercial Paper	A-1/A	-	1,488,934	-	-	-
California Local Agency Investment Fund	N/A	26,693,136	-	-	-	-
Supranational	AA	-	-	-	2,346,075	-
Restricted Cash and Investments						
Corporate Bonds	BBB-	-	-	153,599	503,027	-
Money Market Mutual Funds	N/A	6,184,112	-	-	-	-
Restricted Cash and Investments with Fiscal Agents						
Money Market Mutual Funds	N/A	-	15,523,026	-	-	-
U.S. Treasury Obligations	N/A	-	-	4,403,841	-	-
U.S. Government Sponsored Enterprise Securities	N/A	-	-	296,497	-	-
<b>Total</b>		<b>\$ 32,877,248</b>	<b>\$ 21,310,626</b>	<b>\$ 52,498,792</b>	<b>\$ 5,109,852</b>	<b>\$ 950,129</b>

Investment Type	Minimum legal rating	A+	A	A-	BBB+	BBB	Total
U.S. Treasury Obligations	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,718,963
U.S. Government Sponsored Enterprise Securities	N/A	-	-	-	-	-	26,139,555
Corporate Notes	A	2,060,352	8,264,511	3,355,501	-	-	18,884,454
Money Market Mutual Funds	AAA	-	-	-	-	-	68,685
Asset Backed Securities	AA	-	-	-	-	-	3,320,134
Corporate Obligations	AA	-	983,452	-	-	-	1,686,425
Commercial Paper	A-1/A	-	-	-	-	-	1,488,934
California Local Agency Investment Fund	N/A	-	-	-	-	-	26,693,136
Supranational	AA	-	1,210,987	-	-	-	3,557,062
Restricted Cash and Investments							
Corporate Bonds	BBB-	76,880	519,367	179,245	677,280	205,592	2,314,990
Money Market Mutual Funds	N/A	-	-	-	-	-	6,184,112
Restricted Cash and Investments with Fiscal Agents							
Money Market Mutual Funds	N/A	-	-	-	-	-	15,523,026
U.S. Treasury Obligations	N/A	-	-	-	-	-	4,403,841
U.S. Government Sponsored Enterprise Securities	N/A	-	-	-	-	-	296,497
<b>Total</b>		<b>\$ 2,137,232</b>	<b>\$ 10,978,317</b>	<b>\$ 3,534,746</b>	<b>\$ 677,280</b>	<b>\$ 205,592</b>	<b>\$ 130,279,814</b>

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, and 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. Investments are held by another third party custodian designated by the City.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**c. Risk Disclosures (Continued)**

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer. Investments in any one issuer that represents 5% or more of the total City's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>	<u>% of Total Investments</u>
Federal Home Loan Banks	U.S Government Sponsored Enterprise	\$ 10,145,998	7.79%
Federal National Mortgage Association	U.S Government Sponsored Enterprise	12,081,591	9.27%

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 allowable exception to these maturity limits will be the investment for the bond proceeds for the Reserve Fund and/or the Section 115 trust.

As of June 30, 2019, the City had the following investments and original maturities:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				<u>Total</u>
	<u>12 months or less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>	
U.S. Treasury Obligations	\$ 799,156	\$ 5,374,218	\$ 13,545,589	\$ -	\$ 19,718,963
U.S. Government Sponsored Enterprise Securities	3,265,020	4,901,108	17,973,427	-	26,139,555
Corporate Bonds	2,276,100	3,674,623	12,933,731	-	18,884,454
Money Market Mutual Funds	68,685	-	-	-	68,685
Asset Backed Securities	-	238,280	3,081,854	-	3,320,134
Corporate Obligations	-	702,973	983,452	-	1,686,425
Commercial Paper	1,488,934	-	-	-	1,488,934
California Local Agency Investment Fund	26,693,136	-	-	-	26,693,136
Supranational	1,060,908	412,169	2,083,985	-	3,557,062
Restricted Cash and Investments					
Corporate Bonds	478,449	402,768	839,351	594,422	2,314,990
Money Market Mutual Funds	6,184,112	-	-	-	6,184,112
Restricted Cash and Investments with Fiscal Agents					
Money Market Mutual Funds	15,523,026	-	-	-	15,523,026
U.S. Treasury Obligations	459,389	1,631,224	2,313,228	-	4,403,841
U.S. Government Sponsored Enterprise Securities	49,875	34,743	211,879	-	296,497
	<u>\$ 58,346,790</u>	<u>\$ 17,372,106</u>	<u>\$ 53,966,496</u>	<u>\$ 594,422</u>	<u>\$ 130,279,814</u>

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

Fair Value Measurement and Application

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

When quoted prices in active market are available, investments are classified within Level 1. For investments classified within Level 2, the City's custodians generally use asset market prices derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, broker-dealer quotes and matrix pricing. The City does not have any investments classified with Level 3. Deposits and withdrawals in governmental investment pools, such as LAIF and money market mutual funds are made on the basis of \$1 and not fair value. Accordingly, the fair value measurement of these types of investments is based on an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The City has the following recurring fair value measurements as of June 30, 2019:

Investment Type	Totals	Investments not Measured at Fair Value	Level		
			1	2	3
U.S. Treasury Obligations	\$ 19,718,963	\$ -	\$ -	\$ 19,718,963	\$ -
U.S. Government Sponsored Enterprise Securities	26,139,555	-	-	26,139,555	-
Corporate Bonds	18,884,454	-	-	18,884,454	-
Money Market Mutual Funds	68,685	68,685	-	-	-
Asset Backed Securities	3,320,134	-	-	3,320,134	-
Corporate Obligations	1,686,425	-	-	1,686,425	-
Commercial Paper	1,488,934	-	-	1,488,934	-
California Local Agency Investment Fund	26,693,136	26,693,136	-	-	-
Supranational	3,557,062	-	-	3,557,062	-
Restricted Cash and Investments					
Corporate Bonds	2,314,990	-	-	2,314,990	-
Money Market Mutual Funds	6,184,112	6,184,112	-	-	-
Restricted Cash and Investments with Fiscal Agents					
Money Market Mutual Funds	15,523,026	15,523,026	-	-	-
U.S. Treasury Obligations	4,403,841	-	-	4,403,841	-
U.S. Government Sponsored Enterprise Securities	296,497	-	-	296,497	-
	<u>\$ 130,279,814</u>	<u>\$ 48,468,959</u>	<u>\$ -</u>	<u>\$ 81,810,855</u>	<u>\$ -</u>

Deposits and withdrawals related to the investments in LAIF and money market funds are made on the basis of \$1 and not fair value. Accordingly, under the fair value hierarchy these investments are uncategorized.

**NOTE 4 – CALIFORNIA DOMESTIC WATER COMPANY (CDWC)**

The City purchases 80.9% of its water for the Water Enterprise fund operations through the California Domestic Water Company (CDWC). CDWC is a private mutual water company, organized as a not-for-profit under Section Code 501(c)(12), which provides water primarily to wholesale customers in east Whittier, La Habra and Brea. CDWC has a wholly owned subsidiary, Cadway Inc. (Cadway), which owns and leases certain water rights to CDWC. Both CDWC and Cadway participate in the Pellissier Co-Tenancy. Cadway is treated as a C Corporation for federal and state tax purposes.

## CITY OF BREA, CALIFORNIA

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2019

#### NOTE 4 – CALIFORNIA DOMESTIC WATER COMPANY (CDWC) (CONTINUED)

Separately prepared consolidated financial statements of CDWC include both CDWC and Cadway, Inc., and may be obtained from the City.

The CDWC Rules and Regulations for Water Service (CDWC Rules and Regulations), which are adopted by the CDWC Board of Directors and last updated on June 7, 2019, describe how CDWC administers, processes and provides water service including sections outlining provisions for the ownership and entitlements of common Stock and Class A Preferred Stock shares. Additionally, this document outlines the provisions under which CDWC will deliver water based on shareholders ownership of prescriptive pumping rights in the Main San Gabriel Basin as well as excess water.

The City holds 1,502.72 acre feet of water rights in the Main San Gabriel Basin which are capitalized at cost, and reported as “water rights” within capital assets. Each year, these water rights are temporarily leased to CDWC in order for CDWC to deliver water to the City based on its ownership. For the year ended June 30, 2019, based on the limits set by the Main San Gabriel Basin Water Master, the City was able to purchase .758977 acre feet of water per acre foot of water rights owned, or 1,140.53 acre feet at a cost of \$279,466.

The City also holds 687.85 shares of preferred stock which are reported at cost as “water rights” within capital assets. During December 2011, the City was issued 664.14 shares of preferred stock for \$8,141,812 to secure the City’s claim to the 664.10 acre feet of water rights from CDWC. During May 2013, the City was issued another 23.75 shares of preferred stock for \$302,592 to secure the City’s claim to another 23.75 acre feet of water rights from CDWC. This resulted in a total of 687.85 shares of preferred stock for a total of \$8,444,404 used to secure an equal amount of water delivered pursuant to water rights. There is an immaterial difference of 0.04 shares between the City’s records and CDWC records.

As a preferred stock shareholder in CDWC, the City is entitled to a certain number of acre feet of water based on the number of preferred stock shares owned and the operating safe yield in the basin. This water is purchased at the same cost as water purchased using water rights owned by the City. For the current fiscal year, the City was entitled to purchase .758977 acre feet of water per acre foot of water rights owned, or 522.06 acre feet at the common stock entitlement rate for a total cost of \$127,921.

As of June 30, 2019, the City holds 2,118.5 shares of Common Stock in the CDWC. The City values its common stock holdings using the equity method of investment as the City holds approximately 27.45% of the total shares outstanding. The City reported a decrease of \$9,154 as the change in equity for the year ended June 30, 2019. As a common stock shareholder in CDWC, the City is entitled to purchase a certain amount of water based on the number of common stock shares owned. For the year ended June 30, 2019, the City was entitled to purchase 1.55 acre feet of water per common stock share owned or 3,265.08 acre feet of at the common stock entitlement rate, for a total cost of \$1,501,511.

Additionally, the City leased 196.50 shares of common stock from other shareholders during the fiscal year. This entitled the City to purchase an additional 314.40-acre feet at the common stock entitlement rate for a total cost of \$139,272 for a combined total of \$1,640,783 at the common stock entitlement rate.

During the year ended June 30, 2019, the City also purchased 2,948.87-acre feet from CDWC in excess of its entitlement. The City purchased 2,078.93-acre feet for \$2,071,155 and paid to have 869.94 acre feet of replenishment water (pre-purchased in August 2016) delivered for \$213,163. Other amounts paid to CDWC for the year ended June 30, 2019, including annual common stock assessments and readiness-to-serve charges totaling \$188,266.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 – CALIFORNIA DOMESTIC WATER COMPANY (CDWC) (CONTINUED)**

During the year ended June 30, 2019, the City paid \$4,520,755 to California Domestic Water Company for purchases of water during the year. Additionally, the City used \$606,613 of replenishment water paid for in August 2016, for a total of \$5,127,368.

**NOTE 5 – 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 remitted 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. Additionally, the Affordable Housing Trust reports home buyer assistance loans to low and moderate income individuals to assist in purchasing a home. Homebuyer assistance loans repayment begins 5 years after the loan was originated, and is repaid over a 30 year period. Notes and loans receivable from each of these funds are comprised of the following at June 30, 2019:

CDBG		\$	1,593,700
HOME Grant Funds			35,241
Affordable Housing Trust			212,680
Total notes and loans receivable			\$ 1,841,621

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 and 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. 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 City has classified fund balance as “restricted” 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, 2019:

Home Buyer Assistance Loans		\$	4,196,655
Rehabilitation Loans			162,929
Developer / Organization Loans:			
Acacia Apartments			1,419,700
Birch Hills Affordable Apartments			4,750,000
Bonterra Apartments			1,109,992
Imperial Apartments			2,853,000
La Habra Housing			610,885
South Walnut Bungalows			826,000
Total notes and loans receivable			\$ 15,929,161

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS**

The composition of interfund balances as of June 30, 2019, is as follows:

**Due To/From Other Funds**

<u>Due to Other Funds</u>	<u>Due From Other Funds</u>	
	<u>General Fund</u>	<u>Total</u>
Non-major Governmental Funds	\$ 56,376	\$ 56,376
Non-major Enterprise Funds	208,794	208,794
Total	<u>\$ 265,170</u>	<u>\$ 265,170</u>

- a. The balances due among the General Fund and Non-major Governmental Funds for \$56,376 were related to CDBG having negative cash for \$50,287 and the downtown parking structure for \$6,089.
- b. The balances due between General Fund and Non-major Enterprise Funds for \$208,794 were a result of routine transaction not cleared prior to the end of the fiscal year

**Transfers In/Out from Other Funds**

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Internal Service Funds</u>	<u>Non-Major Enterprise</u>	
General Fund	\$ -	\$ 681,572	\$ 360,000	\$ 516,300	\$ 1,557,872
Capital Improvements	310,000	-	-	-	310,000
Non-major Governmental Funds	350,000	1,802,397	-	-	2,152,397
Total	<u>\$ 660,000</u>	<u>\$ 2,483,969</u>	<u>\$ 360,000</u>	<u>\$ 516,300</u>	<u>\$ 4,020,269</u>

- a. The General Fund transferred \$681,572 to the Capital Improvements Fund for various capital improvement program projects.
- b. The General Fund transferred \$300,000 to an Internal Service Fund for phone system upgrades and \$60,000 to another Internal Service Fund for purchase of a used fire vehicle.
- c. The General Fund transferred \$516,300 to Non-major Governmental Funds to offset cost of operations.
- d. The Capital Improvements Fund transferred \$310,000 to the General Fund for the Computer Aided Dispatch/Records Management System.
- e. The Non-major Governmental Funds transferred to the General Fund \$300,000 for Street Maintenance Program and \$50,000 for Parks Master Plan.
- f. Non-major Governmental Funds transferred \$1,802,397 to the Capital Improvements Fund for various capital improvement program projects.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 7 – CAPITAL ASSETS**

Summary of changes in capital assets for the governmental activities for the year ended June 30, 2019, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 57,235,961	\$ 4,542,000	\$ -	\$ 61,777,961
Construction in progress	331,350	192,740	-	524,090
<b>Total Capital Assets, Not Depreciated</b>	<b>57,567,311</b>	<b>4,734,740</b>	<b>-</b>	<b>62,302,051</b>
Capital assets, being depreciated:				
Structures and improvements	116,268,357	48,987	-	116,317,344
Equipment	20,872,784	1,907,984	(1,880,645)	20,900,123
Infrastructure	147,956,237	146,091	-	148,102,328
<b>Total Capital Assets Being Depreciated</b>	<b>285,097,378</b>	<b>2,103,062</b>	<b>(1,880,645)</b>	<b>285,319,795</b>
Less accumulated depreciation for:				
Structures and improvements	(50,687,102)	(2,364,535)	-	(53,051,637)
Equipment	(12,439,687)	(1,508,561)	1,798,393	(12,149,855)
Infrastructure	(68,797,004)	(4,680,443)	-	(73,477,447)
<b>Total Accumulated Depreciation</b>	<b>(131,923,793)</b>	<b>(8,553,539)</b>	<b>1,798,393</b>	<b>(138,678,939)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>153,173,585</b>	<b>(6,450,477)</b>	<b>(82,252)</b>	<b>146,640,856</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 210,740,896</b>	<b>\$ (1,715,737)</b>	<b>\$ (82,252)</b>	<b>\$ 208,942,907</b>
Business-Type Activities:				
Capital assets, not depreciated:				
Land	\$ 2,850,111	\$ 208,140	\$ -	\$ 3,058,251
Water rights - fee title	23,931,020	-	-	23,931,020
Water rights - preferred stock	8,444,404	-	-	8,444,404
Construction in progress	204,230	-	(204,230)	-
<b>Total Capital Assets, not depreciated</b>	<b>35,429,765</b>	<b>208,140</b>	<b>(204,230)</b>	<b>35,433,675</b>
Capital assets, being depreciated:				
Structures and Improvements	26,160	-	-	26,160
Equipment	349,568	-	(7,016)	342,552
Infrastructure	125,824,203	2,497,397	-	128,321,600
<b>Total Capital Assets Being Depreciated</b>	<b>126,199,931</b>	<b>2,497,397</b>	<b>(7,016)</b>	<b>128,690,312</b>
Less accumulated depreciation for:				
Structures and Improvements	(1,090)	(1,308)	-	(2,398)
Equipment	(293,023)	(22,157)	7,016	(308,164)
Infrastructure	(56,152,153)	(2,850,920)	-	(59,003,073)
<b>Total Accumulated Depreciation</b>	<b>(56,446,266)</b>	<b>(2,874,385)</b>	<b>7,016</b>	<b>(59,313,635)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>69,753,665</b>	<b>(376,988)</b>	<b>-</b>	<b>69,376,677</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 105,183,430</b>	<b>\$ (168,848)</b>	<b>\$ (204,230)</b>	<b>\$ 104,810,352</b>

The City has a total \$32,375,424 in water rights. As described in Note 4, \$8,444,404 of the water rights are held as Class A Preferred stock in California Domestic Water Company. The remaining \$23,931,020 of water rights are held in the name of the City. Combined, the rights held by the City allow the City to purchase 1,662.59 acre feet of water annually at a set rate of \$245.03 per acre foot. Refer to Note 4 for further details of transactions with California Domestic Water Company.



**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

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

Governmental Activities:	
City:	
General government	\$ 755,515
Public safety	598,340
Community services	393,978
Public works	6,016,426
Total City	<u>7,764,259</u>
Internal service:	
Information technology	1,861
Vehicle maintenance	666,129
Building occupancy	121,290
Total Internal Service	<u>789,280</u>
Total Governmental Activities	<u>\$ 8,553,539</u>
Business-Type Activities:	
Water utility	\$ 2,350,949
Sewer utility	522,498
Urban runoff	938
Total Business-Type Activities	<u>\$ 2,874,385</u>

**NOTE 8 – LONG-TERM LIABILITIES**

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

A summary of changes in governmental activities long-term liabilities for the year ended June 30, 2019, 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	3,658,172	-	(465,458)	3,192,714	490,619
Compensated absences	2,484,007	3,043,543	(2,900,566)	2,626,984	1,970,238
Claims and judgments	5,021,366	1,876,568	(1,757,009)	5,140,925	1,799,324
	<u>\$ 13,923,545</u>	<u>\$ 4,920,111</u>	<u>\$ (5,123,033)</u>	<u>\$ 13,720,623</u>	<u>\$ 4,260,181</u>

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)**

**a. Governmental Activities Long-Term Liabilities (Continued)**

2010 Lease Revenue Bonds

The \$2,835,000 principal amount of the 2010 Lease Revenue Bonds was issued by the Brea Public Financing Authority (Authority) in April 2010. The proceeds were 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 pledged for the payment of the bonds.

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% and are subject to mandatory redemption through a sinking fund. 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, 2019, the reserve amount was \$270,863.

The outstanding balance at June 30, 2019, was \$2,760,000.

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

Year Ending June 30:	Principal	Interest	Total
2020	\$ -	\$ 188,108	\$ 188,108
2021	-	188,108	188,108
2022	-	188,108	188,108
2023	-	188,108	188,108
2024	-	188,108	188,108
2025-2029	800,000	914,952	1,714,952
2030-2034	1,510,000	406,843	1,916,843
2035-2036	450,000	47,156	497,156
Total	<u>\$ 2,760,000</u>	<u>\$ 2,309,491</u>	<u>\$ 5,069,491</u>

**Capital Leases**

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, and the Brea Community Center Project. Per the lease agreement, remaining semi-annual payments ranging from \$74,452 for interest only to \$366,467 for principal and interest are due in April and October of each year with the final payment due in April 2027. In an event of a default, the outstanding amounts become immediately due if the City is unable to make payment.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)**

**a. Governmental Activities Long-Term Liabilities (Continued)**

In August 2015, the City entered into another equipment lease purchase agreement with Banc of America Public Capital Corp in the amount of \$1,952,104 for the acquisition of public safety radio communication equipment in connection with the upgrade of the Orange County 800 Megahertz Countywide Coordinated Communication System. Per the lease agreement, remaining semiannual payments ranging from \$151,966 to \$153,298, are due in June and December of each year with the final payment due in June 2022. In an event of a default, the outstanding amounts become immediately due if the City is unable to make payment.

The total outstanding balance at June 30, 2019, was \$3,192,714.

The assets acquired through capital lease is as follows:

Equipment	\$ 6,663,699
Less: Accumulated Depreciation	(2,107,976)
Total	\$ 4,555,723

Combined future capital lease payments are as follows:

Year Ending June 30:	Principal	Interest	Total
2020	\$ 490,619	\$ 163,572	\$ 654,191
2021	520,873	145,398	666,271
2022	551,222	125,514	676,736
2023	275,000	105,298	380,298
2024	305,000	87,533	392,533
2025-2027	1,050,000	137,275	1,187,275
Total	\$ 3,192,714	\$ 764,590	\$ 3,957,304

**b. Business-Type Activities Long-Term Liabilities**

A summary of changes in business-type activities long-term debt for the year ended June 30, 2019 is noted below:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Water Revenue Bonds:					
2009 Water Revenue Bonds	\$ 21,690,000	\$ -	\$ (610,000)	\$ 21,080,000	\$ 635,000
2010 Water Revenue Bonds	9,760,000	-	(150,000)	9,610,000	175,000
2014 Water Revenue Bonds	17,660,000	-	(340,000)	17,320,000	355,000
Compensated absences	250,440	244,515	(235,926)	259,029	194,272
Totals	\$ 49,360,440	\$ 244,515	\$ (1,335,926)	48,269,029	\$ 1,359,272
			Unamortized bond premium	1,719,195	
				\$ 49,988,224	

**CITY OF BREA, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)**

**b. Business-Type Activities Long-Term Liabilities (Continued)**

**Water Revenue Bonds**

2009 Water Revenue Bonds

In May 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 remaining annual installments of \$635,000 to \$885,000 and bear interest at 4.0% 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 \$1,560,937. As of June 30, 2019, the reserve was \$1,973,145 being held in the Water Fund of the City of Brea. The outstanding balance at June 30, 2019, was \$21,080,000.

2010 Water Revenue Bonds

In April 2010, the Brea Public Financing Authority issued \$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 consisted of \$2,410,000 of tax exempt serial bond maturing on July 1 of each year beginning in 2012 through 2016, and has been paid in full. Series B bonds consisted 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 pledged for the payment of the bonds.

The required reserve for the 2010 Water Revenue Bonds, Series B is \$758,076. As of June 30, 2019, the reserve amount was \$1,398,855. The outstanding balance at June 30, 2019 was \$9,610,000.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)**

**b. Business-Type Activities Long-Term Liabilities (Continued)**

2014 Water Revenue Bonds

In August 2014, the Brea Community Benefit Financing Authority issued \$18,555,000 of 2014 Water Revenue Bonds. The proceeds will be used to repay interfund loans made by the City of Brea to its Water Utility Fund from other available funds for the purchase of water rights completed in May 2014 for the benefit of the City’s water system. Proceeds were also used to pay cost of issuance expenses.

The bonds consisted of \$9,440,000 serial bonds maturing in the years 2015 to 2034, payable July 1 in annual installments of \$255,000 to \$700,000 and bear interest at 3.25% to 5.00%. Bonds maturing July 1, 2039, in the amount of \$4,005,000 are term bonds and bear interest at 5.00%. Bonds maturing July 1, 2044, in the amount of \$5,110,000 are term bonds and bear interest at 5.00%. The outstanding balance at June 30, 2019, was \$17,320,000.

Water Revenue Bonds Debt Coverage Requirement

The City has covenanted that gross revenues (including interest revenue and excluding connection fees) 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, 2019, were \$24,426,114. Operation and maintenance costs for the year ended June 30, 2019, were \$12,694,400, excluding depreciation. This resulted in a debt coverage ratio of 1.92 for the year ended June 30, 2019.

**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 2044 and are not available for other uses. Remaining principal and interest payments on this debt as of June 30, 2019 was \$84,385,417.

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

Year Ending June 30:	Principal	Interest	Total
2020	\$ 1,165,000	\$ 2,652,304	\$ 3,817,304
2021	1,235,000	2,600,695	3,835,695
2022	1,310,000	2,543,596	3,853,596
2023	1,390,000	2,484,316	3,874,316
2024	1,470,000	2,419,624	3,889,624
2025-2029	8,875,000	10,857,357	19,732,357
2030-2034	11,980,000	7,905,984	19,885,984
2035-2039	13,100,000	3,919,835	17,019,835
2040-2044	6,360,000	963,581	7,323,581
2045	1,125,000	28,125	1,153,125
Total	<u>\$ 48,010,000</u>	<u>\$ 36,375,417</u>	<u>\$ 84,385,417</u>

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)**

**b. Business-Type Activities Long-Term Liabilities (Continued)**

**Compensated Absences**

The Governmental Activities' liability, at June 30, 2019, will be paid in future years from the General Fund, Vehicle Maintenance Fund, and Building Occupancy Fund in amounts of \$2,524,288, \$34,710, and \$67,986 respectively. The Business-Type Activities liability at June 30, 2019 will be paid in future years from the enterprise funds. Total compensated absences at June 30, 2019, were \$2,886,013.

**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 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 (BOUSD) Community Facilities District No. 95-1 (Olinda Heights). \$6,665,000 of the City of Brea Community Facilities District Bonds were for a current refunding 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 remaining annual installments ranging from \$285,000 to \$430,000 per year. The interest rates on the bonds range from 3.875% to 4.375%. The outstanding balance at June 30, 2019, was \$3,590,000. The remaining \$5,765,000 of bonds outstanding relate to the BOUSD Community Facilities District No. 95-1 (Olinda Heights), and are not part of the City. Refer to the separately prepared financial statements of the BOUSD for further information.

In February 2014, the City issued on behalf of the Community Facilities District No. 1996-1 (Downtown Brea Public Improvements) \$1,630,000 aggregate principal of 2014 Special Tax Refunding Bonds to currently 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 remaining annual installments ranging from \$210,000 to \$225,000 per year. The annual interest rate on the bonds is 2.580%. The outstanding balance at June 30, 2019, was \$660,000.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)**

**c. Debt Without Government Commitment (Continued)**

In November 2017, the City of Brea issued on behalf of the Community Facilities District No. 2008-2 (Brea Plaza Area Public Improvements) \$8,555,000 aggregate principal of 2017 Special Tax Refunding Bonds to advance refund in full the Community Facilities District No. 2008-2 (Brea Plaza Area Public Improvements) 2009 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 2018 to 2039, with remaining annual installments ranging from \$200,000 to \$575,000. The remaining interest rates on the bonds range from 2.000% to 4.000%. The outstanding balance at June 30, 2019, was \$8,150,000.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN**

**a. 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 statute and City ordinance. Copies of PERS' annual financial report may be obtained from its executive office: 400 P Street, Sacramento, California 95814.

**b. Benefits Provided**

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

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN**

**b. Benefits Provided (Continued)**

	Miscellaneous Plan		
	Tier 1*	Tier 2	PEPRA (Tier 3)
Hire date	Prior to September 17, 1999	September 17, 1999 to December 31, 2012 and Non-PEPRA hired on or after January 1, 2013	January 1, 2013 and after
Benefit formula	2.0% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 years	minimum 50 years	minimum 52 years
Monthly benefits, as a % of eligible compensation	1.426% - 2.418% 50 yrs - 63 years, respectively	1.426% - 2.418% 50 yrs - 63 years, respectively	1.000% - 2.500% 52 yrs - 67+ yrs, respectively
Required employee contribution rates	7.000%	7.000%	5.750%
Required employer contribution rates	7.368%	7.368%	6.118%

\* Closed to new entrants

	Safety Plan			
	Tier 1*	Tier 2*	Tier 3	PEPRA (Tier 4)
Hire date	Prior to June 30, 1984	On June 30, 1984 and prior to September 17, 2011	September 17, 2011 to December 31, 2012 and Non-PEPRA hired on or after January 1, 2013	January 1, 2013 and after
Benefit formula	3.0% @ 50	3.0% @ 50	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 years	minimum 50 years	minimum 50 years	minimum 50 years
Monthly benefits, as a % of eligible compensation	3.0%	3.0%	2.0% - 2.7%	2.0% - 2.7%
Required employee contribution rates	9.000%	9.000%	9.000%	10.250%
Required employer contribution rates	17.512%	17.512%	17.512%	11.207%

\* Closed to new entrants



**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**c. Employees Covered**

At the June 30, 2017 valuation, the following employees were covered by the benefit terms of the Plans:

Number of members	
Miscellaneous Plan	Safety Plan
288	212
270	73
197	101
755	386

**d. Contributions**

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

The employer contributions during the year ended June 30, 2019 were \$2,802,915 and \$7,500,416 for the Miscellaneous Plan and the Safety Plan, respectively.

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

The total pension liability in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increases	Varies by Age and Service	Varies by Age and Service
Payroll Growth	3.00%	3.00%
Investment Rate of Return	7.15% Net of Pension Plan Investment and Administrative Expense; includes Inflation.	7.15% Net of Pension Plan Investment and Administrative Expense; includes Inflation.
Mortality Table**	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds

\*\*The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.

Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using MP 2016 Scale BB published by the Society of Actuaries.

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

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**e. Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)**

In determining the long-term expected rate of return on pension plan investments, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same for each Plan.

These geometric rates of return net of administrative expenses are summarized in the following table:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	50.0%	4.8%	6.0%
Fixed Income	28.0%	1.0%	2.6%
Inflation Assets	0.0%	0.8%	1.8%
Private Equity	8.0%	6.3%	7.2%
Real Assets	13.0%	3.8%	4.9%
Liquidity	1.0%	0.0%	-0.9%
	<u>100.0%</u>		

(1) An expected inflation of 2.00% used for this period

(2) An expected inflation of 2.92% used for this period

**f. Changes of Assumptions**

For the June 30, 2018 measurement date, the demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

**g. Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained at CalPERS’ website.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**h. Changes in the Net Pension Liability**

The changes in Net Pension Liability for each Plan follows:

<b>Miscellaneous Plan</b>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2017</b>	\$ 138,097,567	\$ 100,980,973	\$ 37,116,594
<b>Changes in the year:</b>			
Service Cost	2,447,787	-	2,447,787
Interest on the total pension liability	9,781,021	-	9,781,021
Changes in assumptions	(670,255)	-	(670,255)
Differences between expected and actual experience	1,347,129	-	1,347,129
Net Plan to Plan Resource Movement	-	8,966	(8,966)
Contribution - employer	-	2,943,356	(2,943,356)
Contribution - employee	-	1,141,012	(1,141,012)
Net Investment Income	-	8,532,272	(8,532,272)
Benefit payments, including refunds of employee contributions	(6,401,688)	(6,401,688)	-
Administrative expense	-	(157,356)	157,356
Other miscellaneous income/(expense)	-	(298,822)	298,822
<b>Net changes</b>	<b>6,503,994</b>	<b>5,767,740</b>	<b>736,254</b>
<b>Balance at June 30, 2018</b>	<b>\$ 144,601,561</b>	<b>\$ 106,748,713</b>	<b>\$ 37,852,848</b>

<b>Safety Plan</b>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2017</b>	\$ 250,620,326	\$ 163,103,915	\$ 87,516,411
<b>Changes in the year:</b>			
Service Cost	3,257,422	-	3,257,422
Interest on the total pension liability	17,527,382	-	17,527,382
Changes in assumptions	(743,259)	-	(743,259)
Differences between expected and actual experience	(224,664)	-	(224,664)
Net Plan to Plan Resource Movement	-	(9,613)	9,613
Contribution - employer	-	6,122,219	(6,122,219)
Contribution - employee	-	1,117,627	(1,117,627)
Net Investment Income	-	13,829,770	(13,829,770)
Benefit payments, including refunds of employee contributions	(12,285,824)	(12,285,824)	-
Administrative expenses	-	(254,161)	254,161
Other miscellaneous income/(expense)	-	(482,656)	482,656
<b>Net changes</b>	<b>7,531,057</b>	<b>8,037,362</b>	<b>(506,305)</b>
<b>Balance at June 30, 2018</b>	<b>\$ 258,151,383</b>	<b>\$ 171,141,277</b>	<b>\$ 87,010,106</b>

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**i. Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of each Plan, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.15%) or 1% point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Miscellaneous Plan's net pension liability	\$ 56,987,548	\$ 37,852,848	\$ 21,996,059
Safety Plan's net pension liability	121,160,390	87,010,106	58,838,782
<b>Total Net Pension Liability</b>	<b>\$ 178,147,938</b>	<b>\$ 124,862,954</b>	<b>\$ 80,834,841</b>

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

**j. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2019, the City recognized pension expense of \$6,601,139 for the Miscellaneous Plan and \$11,528,995 for the Safety Plan. As of June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Miscellaneous Plan</b>		
Contributions made after the measurement date	\$ 2,802,915	\$ -
Difference between expected and actual experience	848,192	(252,148)
Change in assumptions	2,012,812	(422,012)
Net difference between projected and actual earnings on pension plan investments	212,273	-
<b>Miscellaneous Plan Total</b>	<b>5,876,192</b>	<b>(674,160)</b>
<b>Safety Plan</b>		
Contributions made after the measurement date	7,500,416	-
Difference between expected and actual experience	-	(822,737)
Change in assumptions	4,021,431	(477,809)
Net difference between projected and actual earnings on pension plan investments	489,944	-
<b>Safety Plan Total</b>	<b>12,011,791</b>	<b>(1,300,546)</b>
<b>Total</b>	<b>\$ 17,887,983</b>	<b>\$ (1,974,706)</b>

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**k. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources are amortized in pension expense for the year the gain or loss occurs, except for contributions subsequent to the measurement period of \$2,802,915 and \$7,500,416 for the Miscellaneous and Safety Plans, respectively, which will be recognized as a reduction of the net pension liability during the fiscal year ending June 30, 2020. The amortization period differs depending on the source of the gain or loss. Differences between projected and actual investment earnings are amortized on a 5-year straight-line basis and all other amounts are amortized over the average expected remaining service lives of all members that are provided with benefits. As of the June 30, 2018 measurement date, the expected average remaining service lifetime is 2.7 years for the Miscellaneous Plan and 2.8 years for the Safety Plan. Deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending June 30,	<u>Miscellaneous Plan</u> Deferred Outflows/(Inflows) of Resources	<u>Safety Plan</u> Deferred Outflows/(Inflows) of Resources	<u>Total</u> Deferred Outflows/(Inflows) of Resources
2020	\$ 3,281,994	\$ 5,169,465	\$ 8,451,459
2021	449,967	217,439	667,406
2022	(1,048,650)	(1,700,463)	(2,749,113)
2023	(284,194)	(475,612)	(759,806)
Total	<u>\$ 2,399,117</u>	<u>\$ 3,210,829</u>	<u>\$ 5,609,946</u>

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS**

**a. 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 (Plan) as provided under the City’s contractual agreements with members from each bargaining 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 issued. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**b. Benefits Provided**

The City funds retiree healthcare benefits on a pay-as-you-go basis, paying a maximum of \$350 per month for each retirees’ benefits from City funds as they are due with no pre-funding for future years. The City recognizes expenditures for its share of the annual premiums as these benefits become due.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**c. Employees Covered by Benefit Terms**

At June 30, 2017, the most recent valuation date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	233
Inactive employees or beneficiaries currently receiving benefits	218
Inactive employees entitled to, but not yet receiving benefits	75
Total	526

**d. Total OPEB Liability**

The City’s total OPEB liability of \$25,606,104 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018 using standard procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

*Actuarial Assumptions and Other Inputs* – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.87%
Inflation	2.75%
Payroll Growth	3.00%
Mortality	(1)
Healthcare Trend Rate	Non-Medicare 7.5% and Medicare 6.5% decreased to 4.0% Non-Medicare and 4.0% Medicare in 2076 and later years
PEMHCA	4.25% annually
Participation at Retirement	Actives: 80% decreasing to 60% over 24 years Retirees: 100% if covered, 5% re-elect at age 65 if waived and under age 65

(1) Derived using CalPERS 1997-2015 Experience Study

The discount rate was based on the index provided by Bond Buyer 20-Bond General Obligation Index based on the 20 year AA municipal bond rate as of June 30, 2018.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**e. Changes of Assumptions**

For the June 30, 2018 measurement date, the discount rate was changed from 3.58% to 3.87%.

**f. Changes in the Total OPEB Liability**

	Total OPEB Liability
<b>Balance at June 30, 2018</b>	<b>\$ 25,865,288</b>
<b>Changes in the year:</b>	
Service Cost	882,455
Interest	936,624
Changes in assumptions	(908,163)
Benefit payments, including refunds of employee contributions	(1,170,100)
<b>Net changes</b>	<b>(259,184)</b>
<b>Balance at June 30, 2019</b>	<b>\$ 25,606,104</b>

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.58 percent) or 1 percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 28,980,959	\$ 25,606,104	\$ 22,844,135

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.5/5.5 to 3%)	Healthcare Trend Rate (7.5/6.5 to 4%)	1% Increase (8.5/7.5 to 5%)
Total OPEB Liability	\$ 23,777,282	\$ 25,606,104	\$ 28,453,048

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**g. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,277,266. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Amounts paid by the employer for OPEB as the benefits come due subsequent to the measurement date	\$ 1,230,660	\$ -
Changes in assumptions	-	2,447,294
Total	\$ 1,230,660	\$ 2,447,294

\$1,230,660 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	Amortization
2020	\$ (547,813)
2021	(547,813)
2022	(547,813)
2023	(547,813)
2024	(226,747)
Thereafter	(29,295)
Total	\$ (2,447,294)

**NOTE 11 – SELF-INSURANCE PROGRAM**

The City is a member of the California Insurance Pool Authority (CIPA). CIPA, a consortium of 11 cities in Los Angeles County and Orange County, California, was established to pool resources, share risks, purchase excess insurance and to share costs for professional risk management and claims administration.

At June 30, 2019, 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. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.



**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 11 – SELF-INSURANCE PROGRAM (CONTINUED)**

At June 30, 2019, \$5,140,925 has been accrued for general liability and workers' compensation claims in the Risk Management Internal Service 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, 2019, 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. During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage.

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

Claims and judgements at June 30, 2017	\$ 4,497,191
Claims payments	(1,705,292)
Claims incurred and changes in estimates	<u>2,229,467</u>
Claims and judgments at June 30, 2018	5,021,366
Claims payments	(1,757,009)
Claims incurred and changes in estimates	<u>1,876,568</u>
Claims and judgments at June 30, 2019	<u><u>\$ 5,140,925</u></u>

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 12 – FUND BALANCE CLASSIFICATIONS**

Fund balances in the governmental funds as of June 30, 2019, have been classified as follows:

	General	Special Revenue Fund Housing Successor	Capital Projects Fund Capital Improvements	Non-major Governmental Funds	Total
<b>Nonspendable:</b>					
Prepaid costs	\$ 8,826	\$ -	\$ -	\$ -	\$ 8,826
Total nonspendable	<u>8,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,826</u>
<b>Restricted:</b>					
Debt service	269,021	-	-	-	269,021
Prop 172	119,435	-	-	-	119,435
COPS	188,863	-	-	-	188,863
Lighting and maintenance districts	342,161	-	-	-	342,161
Low and moderate income housing asset	-	20,886,216	-	-	20,886,216
Gas tax	-	-	-	2,556,631	2,556,631
Narcotic enforcement asset seizure	-	-	-	235,159	235,159
Air quality improvement	-	-	-	311,012	311,012
Park development	-	-	-	2,278,076	2,278,076
Measure M	-	-	-	2,885,149	2,885,149
Affordable housing trust	-	-	-	2,650,457	2,650,457
Blackstone CFD	-	-	-	1,982,579	1,982,579
La Floresta CFD	-	-	-	142,072	142,072
Taylor-Morrison CFD	-	-	-	113,152	113,152
Central Park Village CFD	-	-	-	72,500	72,500
Capital and mitigation improvement	-	-	-	4,210,789	4,210,789
Storm drain	-	-	-	337,632	337,632
Midbury assessment authority	-	-	-	1,645	1,645
Capital projects	-	-	4,962,039	-	4,962,039
Pension stabilization	7,742,302	-	-	-	7,742,302
Total restricted	<u>8,661,782</u>	<u>20,886,216</u>	<u>4,962,039</u>	<u>17,776,853</u>	<u>52,286,890</u>
<b>Committed:</b>					
General Plan maintenance fee	926,097	-	-	-	926,097
Brea War Memorial	54,004	-	-	-	54,004
Total committed	<u>980,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>980,101</u>
<b>Assigned to:</b>					
Community Benefit and Economic Development	3,086,884	-	-	-	3,086,884
OPEB fund	155,103	-	-	-	155,103
Community center	1,032,404	-	-	-	1,032,404
Capital asset replacement	8,503,317	-	-	-	8,503,317
Total assigned	<u>12,777,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,777,708</u>
Unassigned	21,203,689	-	-	(27,156)	21,176,533
Total	<u>\$ 43,632,106</u>	<u>\$ 20,886,216</u>	<u>\$ 4,962,039</u>	<u>\$ 17,749,697</u>	<u>\$ 87,230,058</u>

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 13 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

The following material construction and other significant commitments existed at June 30, 2019:

Project Name	Contract Amount	Expenditures to date as of June 30, 2019	Remaining Commitments
<b>Capital Improvements Fund:</b>			
57 Freeway & Lambert Road Interchange Improvement Project	\$ 5,970,000	\$ 5,700,000	\$ 270,000
The Tracks At Brea Trail Project - EPA RLF	1,153,000	1,008,696	144,304
Street Rehabilitation and Water Main Replacement	2,694,000	-	2,694,000
Total	<u>\$ 9,817,000</u>	<u>\$ 6,708,696</u>	<u>\$ 3,108,304</u>

Further, as described in Note 16, the City annually contributes amounts to the Successor Agency for debt service. For the year ended June 30, 2019, \$1,392,484 was contributed for debt service.

**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.

On October 21, 2019, the City received a government claim additional compensation on a public works project. The City expressly rejected that claim. The claimant contends entitlement to numerous proposed change orders (PCOs). The City has retained a construction claims consultant to conduct a forensic analysis of these PCOs and that analysis is still in progress. The claimant and the City have agreed to participate in formal mediation prior to the initiation of litigation. No mediation date has been set yet. If mediation fails and a lawsuit is filed, the City will vigorously contest the case.

**NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS**

**Integrated Law and Justice Agency of Orange County (ILJAOC)**

The City is a member of the Integrated Law and Justice Agency of Orange County (ILJAOC), along with 24 other cities and local law enforcement agencies. The purpose of ILJAOC is to facilitate and share criminal justice information and data among the member agencies. The Agency has a twelve member Board of Directors. The City was appointed to serve as Treasurer/Controller, and assumed administrative responsibilities of ILJAOC. Therefore, the activities of ILJAOC are reported as an Agency fund of the City. During the year ended June 30, 2019, the City paid \$12,558 to ILJAOC for its share of operating and replacement costs. Separately prepared financial statements for ILJAOC are available on the City’s website.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 16 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY**

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 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.

Each year, the successor agency is 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.

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	\$ 477,205
Cash and investments with fiscal agents	<u>12,782,571</u>
	<u><u>\$ 13,259,776</u></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, 2019, is as follows:

Rehabilitation loans	\$ 4,000
Developer/ Organization Loans:	
Brea Olinda Unified School District	<u>1,668,591</u>
	<u><u>\$ 1,672,591</u></u>

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 16 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)**

**c. Long-Term Debt**

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2019, follows:

	Beginning Balance	Accretion	Repayments	Ending Balance	Due Within One Year
<b>Tax Allocation Bonds</b>					
2003 Tax Allocation Bonds	\$ 12,603,392	\$ 660,760	\$ -	\$ 13,264,152	\$ -
2013 Tax Allocation Bonds	67,750,000	-	(7,245,000)	60,505,000	7,610,000
2016 Tax Allocation Bonds Series A	9,275,000	-	(1,030,000)	8,245,000	915,000
2016 Tax Allocation Bonds Series B	1,385,000	-	(145,000)	1,240,000	145,000
2017 Tax Allocation Bonds Series A	32,851,710	505,662	-	33,357,372	-
2017 Tax Allocation Bonds Series B	13,070,000	-	(455,000)	12,615,000	385,000
Subtotal - Tax Allocation Bonds	<u>136,935,102</u>	<u>1,166,422</u>	<u>(8,875,000)</u>	<u>129,226,524</u>	<u>9,055,000</u>
<b>Lease Revenue Bonds</b>					
2004 Refunding Lease Revenue Bonds	1,300,000	-	(305,000)	995,000	320,000
2010 Refunding Lease Revenue Bonds	3,840,000	-	(905,000)	2,935,000	940,000
Subtotal -Lease Revenue Bonds	<u>5,140,000</u>	<u>-</u>	<u>(1,210,000)</u>	<u>3,930,000</u>	<u>1,260,000</u>
Total	<u>\$ 142,075,102</u>	<u>\$ 1,166,422</u>	<u>\$ (10,085,000)</u>	<u>\$ 133,156,524</u>	<u>\$ 10,315,000</u>
				Unamortized bond discounts and premiums	
				10,642,079	
				<u>\$ 143,798,603</u>	

**Tax Allocation Bonds**

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.

CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 16 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

c. Long-Term Debt (Continued)

2003 Tax Allocation Bonds (Continued)

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 2013 and 2017 bonds.

In November 2017, the Successor Agency issued 2017 Tax Allocation Refunding Bonds, Series A of which a portion of the proceeds was used to redeem the term bonds portion of the outstanding balance of the 2003 Tax Allocation Bonds. Upon issuance of the 2017 A Bonds, a portion of the sale proceeds was transferred to the 2003 Escrow fund. On the redemption date, moneys deposited in the escrow fund were used to pay the redemption price for the refunded bonds totaling \$16,475,000. As a result, except for the capital appreciation bonds, the liability for the term bonds has been removed. The outstanding balance of the capital appreciation bonds at June 30, 2019, was \$13,264,152.

2011 Tax Allocation Bonds, Series A and B

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.

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.

As of June 30, 2019, the 2011 Tax Allocation Bonds, Series A and B outstanding balances are considered legally defeased. Amounts are held in an irrevocable escrow account. Amounts outstanding as of June 30, 2019 of the substantively defeased debt is \$39,154,492.

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 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.

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 remaining interest rates on the bonds was 5.00%.

**CITY OF BREA, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 16 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)**

**c. Long-Term Debt (Continued)**

2013 Tax Allocation Refunding Bonds (Continued)

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 2017 Tax Allocation Bonds.

The outstanding balance at June 30, 2019, was \$60,505,000.

2016 Tax Allocation Refunding Bonds, Series A and B

In November 2016, the Successor Agency to the Brea Redevelopment Agency issued its 2016 Tax Exempt Tax Allocation Refunding Bonds, Series A and 2016 Taxable Tax Allocation Refunding Bonds, Series B in the amount of \$10,425,000 and \$1,540,000 respectively. The proceeds of the bonds were used to currently refund the Public Financing Authority's outstanding 2008 Tax Exempt Tax Allocation Revenue Bonds, Series A in the amount of \$12,260,000 and to advance refund the outstanding 2008 Tax Allocation Revenue Bonds, Series B in the amount of \$1,450,000.

The Series A Serial Bonds totaling \$10,425,000 have principal repayments ranging from \$915,000 to \$1,150,000 with interest rates ranging from 2.00% to 4.00%.

The outstanding balance at June 30, 2019 was \$8,245,000.

The Series B Serial Bonds totaling \$1,540,000 have principal repayment ranging from \$145,000 to \$165,000 with interest rates ranging from 1.25% to 3.00%.

The outstanding balance at June 30, 2019 was \$1,240,000.

A financial guaranty insurance policy has been issued and, accordingly, no cash reserve balance is required.

2017 Tax Allocation Refunding Bonds, Series A and B

In November 2017, the Successor Agency to the to the Brea Redevelopment Agency issued it 2017 Tax Exempt Tax Allocation Refunding Bonds, Series A and 2017 Taxable Tax Allocation Refunding Bonds, Series B in the amount of \$32,838,802 and \$13,070,000 respectively. The proceeds of the bonds were used to currently refund the term bonds portion of the former Brea Redevelopment Agency 2003 Tax Allocation Bonds in the amount of \$16,475,000 and to advance refund the former Brea Redevelopment Agency's outstanding 2011 Tax Exempt Tax Allocation Bonds, Series A in the amount of \$27,019,865 and 2011 Taxable Tax Allocation Bonds, Series B in the amount of \$9,940,000.

**CITY OF BREA, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 16 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)**

**c. Long-Term Debt (Continued)**

2017 Tax Allocation Refunding Bonds, Series A and B (Continued)

The Series A Serial Bonds totaling \$19,315,000 have principal repayments ranging from \$50,000 to \$6,665,000 with interest rates at 5.000% for all bonds.

The Series A Convertible Capital Appreciation Bonds have a face value of \$16,080,000. 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 \$16,080,000 of face value capital appreciation bonds were initially recorded at the amount of proceeds received, \$13,523,802. Each year, the outstanding balance is increased for the accretion of interest associated with the bonds.

The outstanding balance of the Series A Bonds at June 30, 2019 was \$33,357,372.

The Series B Serial Bonds totaling \$9,330,000 have principal repayments ranging from \$385,000 to \$1,795,000 with interest rates ranging from 1.500% to 3.000%.

The Series B Term Bonds totaling \$3,740,000 have payments due in 2032 for \$2,665,000 with interest at 3.375% and in 2036 for \$1,075,000 with interest at 3.625%.

The outstanding balance of the Series B Bonds at June 30, 2019 was \$12,615,000.

A financial guaranty insurance policy has been issue 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 2013 bonds.

The debt service schedules of these Tax Allocation Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2020	\$ 9,055,000	\$ 4,346,498	\$ 13,401,498
2021	9,485,000	3,909,338	13,394,338
2022	9,930,000	3,454,913	13,384,913
2023	10,310,000	2,986,038	13,296,038
2024	10,720,000	2,904,388	13,624,388
2025-2029	46,207,099	12,879,625	59,086,724
2030-2034	25,997,503	12,753,098	38,750,601
2035-2037	7,521,922	1,454,806	8,976,728
Total	<u>\$ 129,226,524</u>	<u>\$ 44,688,704</u>	<u>\$ 173,915,228</u>



CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 16 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

c. Long-Term Debt (Continued)

**Pledged Revenues – Tax Allocation Bonds**

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 \$173,915,228, 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 \$16,587,652 and the debt service obligation was \$13,635,448.

**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 remaining annual installments ranging from \$295,000 to \$345,000. The bonds bear remaining interest of 3.875% 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, 2019, was \$995,000.

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 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 remaining annual installments ranging from \$870,000 to \$1,015,000. The bonds bear interest at 2% to 4%, due semi-annually on January 1 and July 1. Bonds maturing on 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.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 16 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)**

**c. Long-Term Debt (Continued)**

2010 Refunding Lease Revenue Bonds (Continued)

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, 2019, was \$2,935,000.

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

Year Ending June 30,	Principal	Interest	Total Payment
2020	\$ 1,260,000	\$ 133,275	\$ 1,393,275
2021	1,310,000	81,669	1,391,669
2022	1,360,000	27,631	1,387,631
Total	\$ 3,930,000	\$ 242,575	\$ 4,172,575

**Pledged Revenues – Lease Refunding Bonds**

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 \$4,172,575 with annual debt service requirements as indicated above. For the current year, the General Fund contribution was \$1,392,484 and total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$16,587,652. The debt service obligation on the lease revenue bonds for the current year was \$1,392,484.

**Non-commitment 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 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. 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, 2019, was \$3,632,478 for Series A-1.

**CITY OF BREA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 16 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)**

**d. Insurance**

The Successor Agency of the former Redevelopment Agency is covered under the insurance policy of the City of Brea at June 30, 2019.

**e. Other Significant Commitments**

Owner Participation Agreement

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, 2019, was \$1,626,662. Future minimum payments for the remaining years are estimated as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 1,673,065
2021	1,720,395
2022	1,768,673
Total	<u>\$ 5,162,133</u>

**f. Deficit Net Position**

As of June 30, 2019, the Agency had a deficit net position of \$123,416,767. This will be reduced with future receipt of distributions from the Redevelopment Property Tax Trust Fund from the County.

**NOTE 17 – SUBSEQUENT EVENTS**

In August 2019, the Brea Public Financing Authority issued Local Agency Revenue Refunding Bonds, Series 2019, in the amount of \$6,820,000. The purpose of the bonds is to acquire two series of bonds: (i) \$2,505,000 aggregate principal amount to be issued by the City of Brea for the Community Facilities District No. 1991-1 (Olinda Heights Public Improvements; and (ii) \$4,315,000 aggregate principal amount 2019 Special Tax Refunding Bonds to be issued by the Brea Olinda Unified School District for the Brea Olinda Unified School District Community Facilities District No. 95-1 (Olinda Heights).

In August 2019, the City issued Water Revenue Refunding Bonds, Series 2019 in the amount of \$23,475,000. The bonds were issued to current refund Water Revenue Bonds 2009A, 2009B, and advance refund Water Revenue Bonds 2010B.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF BREA, CALIFORNIA**

**MISCELLANEOUS PLAN  
SCHEDULE OF CHANGES IN THE NET  
PENSION LIABILITY AND RELATED RATIOS  
LAST TEN YEARS\*  
AS OF JUNE 30, 2019**

	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service cost	\$ 2,447,787	\$ 2,355,806	\$ 2,046,427	\$ 2,062,984	\$ 2,192,940
Interest on the total pension liability	9,781,021	9,338,038	9,044,787	8,692,445	8,386,263
Differences between actual and expected experience	1,347,129	(972,574)	(950,961)	(1,784,268)	-
Changes in assumptions	(670,255)	7,763,702	-	(2,142,611)	-
Benefit payments, including refunds of employee contributions	(6,401,688)	(6,040,591)	(5,294,666)	(5,086,167)	(4,468,721)
<b>Net change in total pension liability</b>	<u>6,503,994</u>	<u>12,444,381</u>	<u>4,845,587</u>	<u>1,742,383</u>	<u>6,110,482</u>
<b>Total pension liability- beginning</b>	138,097,567	125,653,186	120,807,599	119,065,216	112,954,734
<b>Total pension liability- ending (a)</b>	<u>\$ 144,601,561</u>	<u>\$ 138,097,567</u>	<u>\$ 125,653,186</u>	<u>\$ 120,807,599</u>	<u>\$ 119,065,216</u>
<b>Plan fiduciary net position</b>					
Net Plan to Plan Resource Movement	\$ 8,966	\$ (68,950)	\$ -	\$ -	\$ -
Contributions- employer	2,943,356	2,810,705	2,403,298	2,132,083	1,969,185
Contributions- employee	1,141,012	1,135,787	1,071,389	1,087,960	1,140,919
Net investment income	8,532,272	10,371,791	510,663	2,130,803	14,101,824
Benefit payments, including refunds of employee contributions	(6,401,688)	(6,040,591)	(5,294,666)	(5,086,167)	(4,468,721)
Administrative expense	(157,356)	(137,174)	(57,456)	(106,071)	-
<b>Net change in plan fiduciary net position</b>	<u>6,066,562</u>	<u>8,071,568</u>	<u>(1,366,772)</u>	<u>158,608</u>	<u>12,743,207</u>
<b>Plan fiduciary net position- beginning</b>	100,980,973	92,909,405	94,276,177	94,117,569	81,374,362
<b>Plan fiduciary net position- ending (b)</b>	<u>\$ 107,047,535</u>	<u>\$ 100,980,973</u>	<u>\$ 92,909,405</u>	<u>\$ 94,276,177</u>	<u>\$ 94,117,569</u>
 Net pension liability- ending (a) - (b)	\$ 37,554,026	\$ 37,116,594	\$ 32,743,781	\$ 26,531,422	\$ 24,947,647
 Plan fiduciary net position as a percentage of the total pension liability	74.03%	73.12%	73.94%	78.04%	79.05%
 Covered payroll	\$ 15,773,914	\$ 16,716,903	\$ 15,474,119	\$ 15,043,603	\$ 14,843,300
 Net pension liability as percentage of covered payroll	238.08%	222.03%	211.60%	176.36%	168.07%
 Measurement Period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

\* Fiscal year 2015 was the first year of implementation.

Changes of Assumptions: In fiscal year 2019, the inflation rate and experience studies were updated. In fiscal year 2017, the discount rate was reduced from 7.65 % to 7.15 %. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate. In 2018, the inflation rate changed from 2.75% to 2.5%

Benefits Changes: The figures above do not include any liability impact that may have resulted from plan changes that occurred after the June 30, 2017 valuation date. This applies to voluntary benefit changes as well as any other offers of Two Years' Additional Service Credit (a.k.a. Golden Handshakes).

**CITY OF BREA, CALIFORNIA**

**SAFETY PLAN  
SCHEDULE OF CHANGES IN THE NET PENSION  
LIABILITY AND RELATED RATIOS  
LAST TEN YEARS\*  
AS OF JUNE 30, 2019**

	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service cost	\$ 3,257,422	\$ 3,216,910	\$ 2,745,588	\$ 2,865,433	\$ 3,080,297
Interest	17,527,382	16,994,058	16,654,242	16,223,231	15,749,580
Difference Between expected and Actual Experience	(224,664)	(2,374,086)	(2,403,349)	(2,307,435)	-
Changes in Assumptions	(743,259)	14,075,011	-	(3,994,113)	-
Benefit payments, including refunds of employee contributions	(12,285,824)	(11,322,632)	(11,396,941)	(10,585,623)	(10,108,174)
<b>Net change in total pension liability</b>	<b>7,531,057</b>	<b>20,589,261</b>	<b>5,599,540</b>	<b>2,201,493</b>	<b>8,721,703</b>
<b>Total pension liability- beginning</b>	<b>250,620,326</b>	<b>230,031,065</b>	<b>224,431,525</b>	<b>222,230,032</b>	<b>213,508,329</b>
<b>Total pension liability- ending (a)</b>	<b>\$ 258,151,383</b>	<b>\$ 250,620,326</b>	<b>\$ 230,031,065</b>	<b>\$ 224,431,525</b>	<b>\$ 222,230,032</b>
<b>Plan fiduciary net position</b>					
Net Plan to Plan Resource Movement	\$ (9,613)	\$ 68,950	\$ -	\$ -	\$ -
Contributions- employer	6,122,219	5,562,362	4,627,179	3,591,767	3,655,839
Contributions- employee	1,117,627	1,103,737	973,955	1,084,088	1,024,137
Net investment income	13,829,770	16,755,962	746,473	3,517,885	24,058,889
Benefit payments, including refunds of employee contributions	(12,285,824)	(11,322,632)	(11,396,941)	(10,585,623)	(10,108,174)
Administrative expenses	(254,161)	(223,176)	(95,259)	(175,877)	-
	(482,656)	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>8,037,362</b>	<b>11,945,203</b>	<b>(5,144,593)</b>	<b>(2,567,760)</b>	<b>18,630,691</b>
<b>Plan fiduciary net position- beginning</b>	<b>163,103,915</b>	<b>151,158,712</b>	<b>156,303,305</b>	<b>158,871,065</b>	<b>140,240,374</b>
<b>Plan fiduciary net position- ending (b)</b>	<b>\$ 171,141,277</b>	<b>\$ 163,103,915</b>	<b>\$ 151,158,712</b>	<b>\$ 156,303,305</b>	<b>\$ 158,871,065</b>
Net pension liability- ending (a) - (b)	\$ 87,010,106	\$ 87,516,411	\$ 78,872,353	\$ 68,128,220	\$ 63,358,967
Plan fiduciary net position as a percentage of the total pension liability	66.29%	65.08%	65.71%	69.64%	71.49%
Covered payroll	\$ 11,688,892	\$ 10,703,998	\$ 10,168,516	\$ 9,980,447	\$ 9,919,059
Net pension liability as percentage of covered payroll	744.38%	817.60%	775.65%	682.62%	638.76%
Measurement Period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

\* Fiscal year 2015 was the first year of implementation.

Changes of Assumptions: In fiscal year 2019, the inflation rate and experience studies were updated. In fiscal year 2017, the discount rate was reduced from 7.65 % to 7.15 %. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate. In 2018, the inflation rate changed from 2.75% to 2.5%



**CITY OF BREA, CALIFORNIA**

**SCHEDULE OF PLAN CONTRIBUTIONS  
MISCELLANEOUS AND SAFETY PLANS  
LAST TEN YEARS\*  
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018	2017	2016	2015	2014
<b>Miscellaneous Plan</b>						
Actuarially determined contributions	\$ 2,802,915	\$ 2,433,536	\$ 2,279,397	\$ 2,403,298	\$ 2,132,083	\$ 1,969,185
Contributions in relation to the actuarially determined contribution	(2,802,915)	(2,433,536)	(2,279,397)	(2,403,298)	(2,132,083)	(1,969,185)
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	15,187,853	15,773,914	16,716,903	15,474,119	15,043,603	14,843,300
Contributions as a percentage of covered payroll	18.45%	15.43%	13.64%	15.53%	14.17%	13.27%
<b>Safety Plan</b>						
Actuarially determined contributions	\$ 7,500,416	\$ 6,573,125	\$ 5,863,082	\$ 4,627,179	\$ 3,591,767	\$ 3,655,839
Contributions in relation to the actuarially determined contribution	(7,500,416)	(6,573,125)	(5,863,082)	(4,627,179)	(3,591,767)	(3,655,839)
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	11,724,815	11,688,892	10,703,998	10,168,516	9,980,447	9,919,059
Contributions as a percentage of covered payroll	63.97%	56.23%	54.77%	45.50%	35.99%	36.86%

\* Fiscal year 2015 was the first year of implementation.

**Notes to Schedule:**

**Miscellaneous and Safety Plans**

Valuation Date:

The actuarial methods and assumptions used to set the actuarially determined contribution for FY 2018-19 were from the June 30, 2016 funding valuation report.

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.15%, net of pension plan investment and administrative expenses, including inflation The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2015.
Retirement age	

**CITY OF BREA, CALIFORNIA**

**SCHEDULE OF CHANGES IN THE  
TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST TEN YEARS\*  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>		
Service cost	\$ 882,455	\$ 1,020,496
Interest on the total OPEB liability	936,624	801,573
Changes in assumptions	(908,163)	(2,488,279)
Benefit payments, including refunds of employee contributions	(1,170,100)	(1,146,800)
<b>Net change in total OPEB liability</b>	(259,184)	(1,813,010)
<b>Total OPEB liability - beginning</b>	25,865,288	27,678,298
<b>Total OPEB liability - ending</b>	\$ 25,606,104	\$ 25,865,288
Covered-employee payroll	\$ 27,465,185	\$ 33,837,681
Total OPEB liability as a percentage of covered-employee payroll	93.23%	76.44%

**Notes to Schedule:**

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

\* Fiscal year 2018 was the first year of implementation. As such, additional years will be added as available.

See accompanying note to required supplementary information.

**CITY OF BREA, CALIFORNIA**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 41,211,806	\$ 44,620,591	\$ 44,889,030	\$ 268,439
Licenses and permits	654,500	654,500	606,355	(48,145)
Intergovernmental	8,238,640	8,904,501	9,107,164	202,663
Charges for services	4,162,884	4,165,884	3,810,657	(355,227)
Investment income, net	871,440	871,440	1,670,458	799,018
Fines and forfeitures	593,900	593,900	682,762	88,862
Rental income	1,635,590	1,815,590	1,662,487	(153,103)
Miscellaneous	2,798,287	3,153,141	3,017,005	(136,136)
<b>Total revenues</b>	<b>60,167,047</b>	<b>64,779,547</b>	<b>65,445,918</b>	<b>666,371</b>
<b>Expenditures:</b>				
Current:				
General government	5,682,219	5,834,528	5,732,627	101,901
Public safety	35,603,462	36,418,389	35,120,119	1,298,270
Community development	2,690,086	3,100,177	2,716,848	383,329
Community services	7,520,297	8,069,549	7,540,687	528,862
Public works	5,765,266	5,779,825	5,054,521	725,304
Capital outlay	97,900	371,136	10,549	360,587
Debt service:				
Principal retirement	465,459	465,459	465,458	1
Interest and fiscal charges	369,180	369,180	368,468	712
<b>Total expenditures</b>	<b>58,193,869</b>	<b>60,408,243</b>	<b>57,009,277</b>	<b>3,398,966</b>
<b>Excess (deficiency) of revenues over(under) expenditures</b>	<b>1,973,178</b>	<b>4,371,304</b>	<b>8,436,641</b>	<b>4,065,337</b>
<b>Other financing sources (uses):</b>				
Transfers in	450,000	810,000	660,000	(150,000)
Transfers out	(2,416,089)	(5,341,229)	(1,557,872)	3,783,357
<b>Total other financing sources (uses)</b>	<b>(1,966,089)</b>	<b>(4,531,229)</b>	<b>(897,872)</b>	<b>3,633,357</b>
<b>Net change in Fund Balance</b>	<b>\$ 7,089</b>	<b>\$ (159,925)</b>	<b>7,538,769</b>	<b>\$ 7,698,694</b>
Fund balance at beginning of the year			36,093,337	
Fund balance at end of the year			<b>\$ 43,632,106</b>	

See accompanying note to required supplementary information.

**CITY OF BREA, CALIFORNIA**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL  
HOUSING SUCCESSOR FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive/ (Negative)
<b>Revenues:</b>				
Investment income, net	\$ 34,410	\$ 34,410	\$ 203,981	\$ 169,571
Other revenues	191,900	191,900	161,642	(30,258)
<b>Total revenues</b>	<u>226,310</u>	<u>226,310</u>	<u>365,623</u>	<u>139,313</u>
<b>Expenditures:</b>				
Current:				
Community Development	243,641	285,877	200,923	84,954
<b>Net change in Fund Blance</b>	<u>\$ (17,331)</u>	<u>\$ (59,567)</u>	164,700	<u>\$ 224,267</u>
Fund balance at beginning of the year			20,721,516	
Fund balance at end of the year			<u>\$ 20,886,216</u>	

See accompanying note to required supplementary information.

**CITY OF BREA, CALIFORNIA**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019**

**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.
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.

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**SUPPLEMENTARY INFORMATION**

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## **MAJOR CAPITAL PROJECTS FUNDS**

### **Capital Projects Funds**

#### **Capital Improvements Fund**

The Capital Improvements Fund 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, state, and county grant revenues and interfund transfers from the special revenue funds and General Fund.

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**CITY OF BREA, CALIFORNIA**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
CAPITAL IMPROVEMENTS FUND  
YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 83,118,243	\$ 18,849,882	\$ 4,149,761	\$ (14,700,121)
Charges for services	337,000	337,000	127,578	(209,422)
Investment income, net	216,320	216,320	302,352	86,032
Developer contributions	-	-	102,886	102,886
Other revenues	-	229,255	32,317	(196,938)
<b>Total revenues</b>	<b>83,671,563</b>	<b>19,632,457</b>	<b>4,714,894</b>	<b>(14,917,563)</b>
<b>Expenditures:</b>				
Current:				
General government	107,900	128,411	134,495	(6,084)
Public works	-	-	8,800	(8,800)
Capital Outlay	99,448,903	46,581,933	9,514,171	37,067,762
<b>Total expenditures</b>	<b>99,556,803</b>	<b>46,710,344</b>	<b>9,657,466</b>	<b>37,052,878</b>
<b>Excess (deficiency) of revenues over(under) expenditures</b>	<b>(15,885,240)</b>	<b>(27,077,887)</b>	<b>(4,942,572)</b>	<b>22,135,315</b>
<b>Other financing sources (uses):</b>				
Transfers in	11,540,289	29,208,208	2,483,969	(26,724,239)
Transfer out	-	(310,000)	(310,000)	-
<b>Net change in fund balance</b>	<b>\$ (4,344,951)</b>	<b>\$ 1,820,321</b>	<b>(2,768,603)</b>	<b>\$ (4,588,924)</b>
Fund balance at beginning of the year			7,730,642	
Fund balance at end of the year			<b>\$ 4,962,039</b>	

## NON-MAJOR GOVERNMENTAL FUNDS

### **Non-major Special Revenue Funds**

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt services or capital projects.

The City of Brea has the following non-major Special Revenue Funds:

#### Gas Tax Fund

This 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.

#### Narcotics Enforcement Asset Seizure Fund

This fund is used to account for revenues seized by the Police Department during narcotic investigations.

#### Air Quality Improvement Fund

This fund is used to account for revenues received from vehicle registration fees and restricted for improvement of air quality.

#### Park Development Fund

This 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.

#### Measure M Fund

This fund is used to account for ½ cent sales tax restricted for expenditure for road maintenance and street expenditures.

#### Affordable Housing Trust Fund

This 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.

#### Community Development Block Grant Fund

This 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.

## **Non-major Special Revenue Funds (Continued)**

### HOME Program Fund

This fund is used 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.

### Blackstone Community Facilities District 2008-1 Fund

The 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.

### La Floresta Community Facilities District 2011-1 Fund

This fund is used to account for the collection of special taxes and expenditure for police, fire, maintenance and general city services.

### Taylor Morrison Community Facilities District 2013-1 Fund

This fund is used to account for the collection of special taxes and expenditures for police, fire, maintenance and general city services.

### Central Park Village Community Facilities District 2013-2 Fund

This fund is used to account for the collection of special taxes and expenditures for police, fire, maintenance and general city services.

## **Non-major Capital Projects Funds**

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

The City of Brea has the following non-major Capital Projects Funds:

### Capital and Mitigation Improvement Fund

This 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.

### Storm Drain Fund

This fund is used to account for the financing and construction of storm drains throughout the City. Financing is provided by storm drain assessment fees.

### Midbury Assessment Authority Fund

This fund is used to account for the collection and payment of neighborhood street improvements.

**CITY OF BREA, CALIFORNIA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	Special Revenue Funds			
	Gas Tax	Narcotics Enforcement Asset Seizure	Air Quality Improvement	Park Development
<b>Assets:</b>				
Cash and investments	\$ 2,326,302	\$ 169,472	\$ 295,917	\$ 2,278,076
Receivables:				
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Due from other governments	230,329	65,687	15,095	-
<b>Total assets</b>	<b>\$ 2,556,631</b>	<b>\$ 235,159</b>	<b>\$ 311,012</b>	<b>\$ 2,278,076</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances (deficit):				
Restricted:				
Community development projects	-	-	-	-
Public safety	-	235,159	-	-
Public works	2,556,631	-	311,012	-
Capital projects	-	-	-	2,278,076
Unassigned	-	-	-	-
<b>Total fund balances (deficit)</b>	<b>2,556,631</b>	<b>235,159</b>	<b>311,012</b>	<b>2,278,076</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,556,631</b>	<b>\$ 235,159</b>	<b>\$ 311,012</b>	<b>\$ 2,278,076</b>

	Special Revenue Funds			
	Measure M	Affordable Housing Trust	Community Development Block Grant	HOME Program
<b>Assets:</b>				
Cash and investments	\$ 2,735,582	\$ 2,487,777	\$ -	\$ -
Receivables:				
Taxes	-	-	-	-
Notes and loans	-	212,680	1,593,700	35,241
Due from other governments	149,567	-	47,668	-
<b>Total assets</b>	<b>\$ 2,885,149</b>	<b>\$ 2,700,457</b>	<b>\$ 1,641,368</b>	<b>\$ 35,241</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ 50,000	\$ 1,900	\$ -
Due to other governments	-	-	1,593,700	35,241
Due to other funds	-	-	50,287	-
<b>Total liabilities</b>	<b>-</b>	<b>50,000</b>	<b>1,645,887</b>	<b>35,241</b>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	22,637	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>22,637</b>	<b>-</b>
Fund balances (deficit):				
Restricted:				
Community development projects	-	2,650,457	-	-
Public safety	-	-	-	-
Public works	2,885,149	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	(27,156)	-
<b>Total fund balances (deficit)</b>	<b>2,885,149</b>	<b>2,650,457</b>	<b>(27,156)</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,885,149</b>	<b>\$ 2,700,457</b>	<b>\$ 1,641,368</b>	<b>\$ 35,241</b>

Continued

**CITY OF BREA, CALIFORNIA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	Special Revenue Funds			
	Blackstone CFD	La Floresta CFD	Taylor - Morrison CFD	Central Park Village CFD
<b>Assets:</b>				
Cash and investments	\$ 1,974,497	\$ 139,178	\$ 113,152	\$ 75,109
Receivables:				
Taxes	15,608	4,503	-	262
Notes and loans	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 1,990,105</b>	<b>\$ 143,681</b>	<b>\$ 113,152</b>	<b>\$ 75,371</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
Liabilities:				
Accounts payable	\$ 7,526	\$ 1,609	\$ -	\$ 2,871
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>7,526</b>	<b>1,609</b>	<b>-</b>	<b>2,871</b>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances (deficit):				
Restricted:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	1,982,579	142,072	113,152	72,500
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balances (deficit)</b>	<b>1,982,579</b>	<b>142,072</b>	<b>113,152</b>	<b>72,500</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,990,105</b>	<b>\$ 143,681</b>	<b>\$ 113,152</b>	<b>\$ 75,371</b>



	Capital Projects Funds			Total Nonmajor Governmental Funds
	Capital and Mitigation Improvement	Storm Drain	Midbury Assessment Authority	
<b>Assets:</b>				
Cash and investments	\$ 4,210,789	\$ 337,632	\$ 7,503	\$ 17,150,986
Receivables:				
Taxes	-	-	231	20,604
Notes and loans	-	-	-	1,841,621
Due from other governments	-	-	-	508,346
<b>Total assets</b>	<b>\$ 4,210,789</b>	<b>\$ 337,632</b>	<b>\$ 7,734</b>	<b>\$ 19,521,557</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 63,906
Due to other governments	-	-	-	1,628,941
Due to other funds	-	-	6,089	56,376
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>6,089</b>	<b>1,749,223</b>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	22,637
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,637</b>
Fund balances (deficit):				
Restricted:				
Community development projects	-	-	-	2,650,457
Public safety	-	-	-	235,159
Public works	-	-	-	8,063,095
Capital projects	4,210,789	337,632	1,645	6,828,142
Unassigned	-	-	-	(27,156)
<b>Total fund balances (deficit)</b>	<b>4,210,789</b>	<b>337,632</b>	<b>1,645</b>	<b>17,749,697</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,210,789</b>	<b>\$ 337,632</b>	<b>\$ 7,734</b>	<b>\$ 19,521,557</b>

Continued

**CITY OF BREA, CALIFORNIA**

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds			
	Gas Tax	Narcotics		Park Development
		Enforcement Asset Seizure	Air Quality Improvement	
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,751,788	-	58,225	-
Charges for services	-	-	-	15,000
Investment income, net	75,528	7,369	10,711	106,859
Fines and forfeitures	-	209,358	-	-
Other revenues	-	-	-	-
<b>Total revenues</b>	<b>1,827,316</b>	<b>216,727</b>	<b>68,936</b>	<b>121,859</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	139,736	-	-
Community development	-	-	-	-
Public works	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>139,736</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,827,316</b>	<b>76,991</b>	<b>68,936</b>	<b>121,859</b>
<b>Other financing sources (uses):</b>				
Transfers out	(613,361)	-	-	(1,065,902)
<b>Net change in fund balances</b>	<b>1,213,955</b>	<b>76,991</b>	<b>68,936</b>	<b>(944,043)</b>
<b>Fund balances (deficit), beginning of year</b>	<b>1,342,676</b>	<b>158,168</b>	<b>242,076</b>	<b>3,222,119</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 2,556,631</b>	<b>\$ 235,159</b>	<b>\$ 311,012</b>	<b>\$ 2,278,076</b>

	Special Revenue Funds			
	Measure M	Affordable Housing Trust	Community Development Block Grant	HOME Program
<b>Revenues:</b>				
Taxes	\$ 1,020,033	\$ -	\$ -	\$ -
Intergovernmental	-	-	293,076	-
Charges for services	-	-	-	-
Investment income, net	105,275	93,268	-	-
Fines and forfeitures	-	-	-	-
Other revenues	-	142,987	-	-
<b>Total revenues</b>	<b>1,125,308</b>	<b>236,255</b>	<b>293,076</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	122,698	-
Public works	50,347	-	-	-
<b>Total expenditures</b>	<b>50,347</b>	<b>-</b>	<b>122,698</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,074,961</b>	<b>236,255</b>	<b>170,378</b>	<b>-</b>
<b>Other financing sources (uses):</b>				
Transfers out	(280,394)	-	(192,740)	-
<b>Net change in fund balances</b>	<b>794,567</b>	<b>236,255</b>	<b>(22,362)</b>	<b>-</b>
<b>Fund balances (deficit), beginning of year</b>	<b>2,090,582</b>	<b>2,414,202</b>	<b>(4,794)</b>	<b>-</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 2,885,149</b>	<b>\$ 2,650,457</b>	<b>\$ (27,156)</b>	<b>\$ -</b>

Continued

**CITY OF BREA, CALIFORNIA**

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds			
	Blackstone CFD	La Floresta CFD	Taylor- Morrison CFD	Central Park Village CFD
<b>Revenues:</b>				
Taxes	\$ 796,326	\$ 297,216	\$ 49,021	\$ 42,376
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment income, net	76,365	6,371	4,094	2,387
Fines and forfeitures	-	-	-	-
Other revenues	-	-	-	-
<b>Total revenues</b>	<b>872,691</b>	<b>303,587</b>	<b>53,115</b>	<b>44,763</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	697,843	301,281	32,566	2,871
Community development	-	-	-	-
Public works	260,282	4,037	-	-
<b>Total expenditures</b>	<b>958,125</b>	<b>305,318</b>	<b>32,566</b>	<b>2,871</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(85,434)</b>	<b>(1,731)</b>	<b>20,549</b>	<b>41,892</b>
<b>Other financing sources (uses):</b>				
Transfers out	-	-	-	-
<b>Net change in fund balances</b>	<b>(85,434)</b>	<b>(1,731)</b>	<b>20,549</b>	<b>41,892</b>
<b>Fund balances (deficit), beginning of year</b>	<b>2,068,013</b>	<b>143,803</b>	<b>92,603</b>	<b>30,608</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 1,982,579</b>	<b>\$ 142,072</b>	<b>\$ 113,152</b>	<b>\$ 72,500</b>

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Capital and Mitigation Improvement	Storm Drain	Midbury Assessment Authority	
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 6,461	\$ 2,211,433
Intergovernmental	-	-	-	2,103,089
Charges for services	-	-	-	15,000
Investment income, net	107,342	10,205	455	606,229
Fines and forfeitures	-	-	-	209,358
Other revenues	-	70,472	-	213,459
<b>Total revenues</b>	<b>107,342</b>	<b>80,677</b>	<b>6,916</b>	<b>5,358,568</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	412	412
Public safety	-	-	-	1,174,297
Community development	-	-	-	122,698
Public works	-	-	-	314,666
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>412</b>	<b>1,612,073</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>107,342</b>	<b>80,677</b>	<b>6,504</b>	<b>3,746,495</b>
<b>Other financing sources (uses):</b>				
Transfers out	-	-	-	(2,152,397)
<b>Net change in fund balances</b>	<b>107,342</b>	<b>80,677</b>	<b>6,504</b>	<b>1,594,098</b>
<b>Fund balances (deficit), beginning of year</b>	<b>4,103,447</b>	<b>256,955</b>	<b>(4,859)</b>	<b>16,155,599</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 4,210,789</b>	<b>\$ 337,632</b>	<b>\$ 1,645</b>	<b>\$ 17,749,697</b>

**CITY OF BREA, CALIFORNIA**

**SCHEDULE TO REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GAS TAX SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ 1,751,788	\$ 1,751,788
Investment income, net	-	-	75,528	75,528
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>1,827,316</u>	<u>1,827,316</u>
 <b>Excess of revenues over expenditures</b>	 <u>-</u>	 <u>-</u>	 <u>1,827,316</u>	 <u>1,827,316</u>
 <b>Other financing sources (uses):</b>				
Transfers out	-	-	(613,361)	(613,361)
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>1,213,955</u>	<u>\$ 1,213,955</u>
 Fund balance at beginning of the year			 <u>1,342,676</u>	
 Fund balance at end of the year			 <u>\$ 2,556,631</u>	

**CITY OF BREA, CALIFORNIA**

**SCHEDULE TO REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
NARCOTICS ENFORCEMENT ASSET SEIZURE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Investment income, net	\$ 1,050	\$ 1,050	\$ 7,369	\$ 6,319
Fines and forfeitures	5,000	5,000	209,358	204,358
<b>Total revenues</b>	6,050	6,050	216,727	210,677
<b>Expenditures:</b>				
Current:				
Public safety	150,900	150,900	139,736	11,164
<b>Excess (deficiency) of revenues over(under) expenditures</b>	(144,850)	(144,850)	76,991	221,841
<b>Net change in fund balance</b>	\$ (144,850)	\$ (144,850)	76,991	\$ 221,841
Fund balance at beginning of the year			158,168	
Fund balance at end of the year			\$ 235,159	

**CITY OF BREA, CALIFORNIA**

**SCHEDULE TO REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 56,000	\$ 56,000	\$ 58,225	\$ 2,225
Investment income, net	2,490	2,490	10,711	8,221
<b>Total revenues</b>	<u>58,490</u>	<u>58,490</u>	<u>68,936</u>	<u>10,446</u>
 <b>Excess of revenues over expenditures</b>	 <u>58,490</u>	 <u>58,490</u>	 <u>68,936</u>	 <u>10,446</u>
 <b>Other financing sources (uses):</b>				
Transfers out	-	-	-	-
<b>Net change in fund balance</b>	<u>\$ 58,490</u>	<u>\$ 58,490</u>	<u>68,936</u>	<u>\$ 10,446</u>
 Fund balance at beginning of the year			 <u>242,076</u>	
 Fund balance at end of the year			 <u>\$ 311,012</u>	



**CITY OF BREA, CALIFORNIA**

**SCHEDULE TO REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
PARK DEVELOPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ 15,000	\$ 15,000
Investment income, net	34,000	34,000	106,859	72,859
<b>Total revenues</b>	<u>34,000</u>	<u>34,000</u>	<u>121,859</u>	<u>87,859</u>
 <b>Excess of revenues over expenditures</b>	 <u>34,000</u>	 <u>34,000</u>	 <u>121,859</u>	 <u>87,859</u>
 <b>Other financing sources (uses):</b>				
Transfers out	(295,000)	(1,361,300)	(1,065,902)	295,398
<b>Net change in fund balance</b>	<u>\$ (261,000)</u>	<u>\$ (1,327,300)</u>	<u>(944,043)</u>	<u>\$ 383,257</u>
 Fund balance at beginning of the year			 <u>3,222,119</u>	
 Fund balance at end of the year			 <u>\$ 2,278,076</u>	

**CITY OF BREA, CALIFORNIA**

**SCHEDULE TO REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MEASURE M SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 991,105	\$ 991,105	\$ 1,020,033	\$ 28,928
Investment income, net	14,000	14,000	105,275	91,275
<b>Total revenues</b>	<u>1,005,105</u>	<u>1,005,105</u>	<u>1,125,308</u>	<u>120,203</u>
<b>Expenditures:</b>				
Current:				
Public works	38,745	88,745	50,347	38,398
<b>Excess (deficiency) of revenues over(under) expenditures</b>	<u>966,360</u>	<u>916,360</u>	<u>1,074,961</u>	<u>(158,601)</u>
<b>Other financing sources (uses):</b>				
Transfers out	(250,000)	(1,957,365)	(280,394)	1,676,971
<b>Net change in fund balance</b>	<u>\$ 716,360</u>	<u>\$ (1,041,005)</u>	<u>794,567</u>	<u>\$ 1,518,370</u>
Fund balance at beginning of the year			<u>2,090,582</u>	
Fund balance at end of the year			<u>\$ 2,885,149</u>	

**CITY OF BREA, CALIFORNIA**

**SCHEDULE TO REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
AFFORDABLE HOUSING TRUST SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Investment income, net	\$ 25,000	\$ 25,000	\$ 93,268	\$ 68,268
Other revenues	100,000	100,000	142,987	42,987
<b>Total revenues</b>	125,000	125,000	236,255	111,255
<b>Net change in fund balance</b>	\$ 125,000	\$ 125,000	236,255	\$ 111,255
Fund balance at beginning of the year			2,414,202	
Fund balance at end of the year			\$ 2,650,457	

**CITY OF BREA, CALIFORNIA**

**SCHEDULE TO REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	<u>\$ 390,000</u>	<u>\$ 787,021</u>	<u>\$ 293,076</u>	<u>\$ (493,945)</u>
<b>Expenditures:</b>				
Current:				
Community development	<u>190,000</u>	<u>307,448</u>	<u>122,698</u>	<u>184,750</u>
<b>Excess (deficiency) of revenues         over(under) expenditures</b>	<u>200,000</u>	<u>479,573</u>	<u>170,378</u>	<u>(309,195)</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(200,000)</u>	<u>(479,573)</u>	<u>(192,740)</u>	<u>286,833</u>
<b>Net change in fund balance</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>(22,362)</u></u>	<u><u>\$ (22,362)</u></u>
 Fund balance at beginning of the year			<u>(4,794)</u>	
 Fund balance at end of the year			<u><u>\$ (27,156)</u></u>	

**CITY OF BREA, CALIFORNIA**

**SCHEDULE TO REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
BLACKSTONE CFD SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 790,891	\$ 790,891	\$ 796,326	\$ 5,435
Investment income, net	34,460	34,460	76,365	41,905
<b>Total revenues</b>	<u>825,351</u>	<u>825,351</u>	<u>872,691</u>	<u>47,340</u>
<b>Expenditures:</b>				
Current:				
Public safety	638,947	668,947	697,843	(28,896)
Public works	265,670	285,670	260,282	25,388
<b>Total expenditures</b>	<u>904,617</u>	<u>954,617</u>	<u>958,125</u>	<u>(3,508)</u>
<b>Excess (deficiency) of revenues over(under) expenditures</b>	<u>(79,266)</u>	<u>(129,266)</u>	<u>(85,434)</u>	<u>43,832</u>
<b>Net change in fund balance</b>	<u>\$ (79,266)</u>	<u>\$ (129,266)</u>	<u>(85,434)</u>	<u>\$ 43,832</u>
Fund balance at beginning of the year			<u>2,068,013</u>	
Fund balance at end of the year			<u>\$ 1,982,579</u>	

**CITY OF BREA, CALIFORNIA**

**SCHEDULE TO REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
LA FLORESTA CFD SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 270,810	\$ 270,810	\$ 297,216	\$ 26,406
Investment income, net	2,940	2,940	6,371	3,431
Other revenues	-	-	-	-
<b>Total revenues</b>	<u>273,750</u>	<u>273,750</u>	<u>303,587</u>	<u>29,837</u>
<b>Expenditures:</b>				
Current:				
Public safety	278,669	297,919	301,281	(3,362)
Public works	7,429	7,429	4,037	3,392
<b>Total expenditures</b>	<u>286,098</u>	<u>305,348</u>	<u>305,318</u>	<u>30</u>
<b>Excess (deficiency) of revenues over(under) expenditures</b>	<u>(12,348)</u>	<u>(31,598)</u>	<u>(1,731)</u>	<u>29,867</u>
<b>Net change in fund balance</b>	<u>\$ (12,348)</u>	<u>\$ (31,598)</u>	<u>(1,731)</u>	<u>\$ 29,867</u>
Fund balance at beginning of the year			<u>143,803</u>	
Fund balance at end of the year			<u>\$ 142,072</u>	

**CITY OF BREA, CALIFORNIA**

**SCHEDULE TO REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
TAYLOR-MORRISON CFD SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 48,256	\$ 48,256	\$ 49,021	\$ 765
Investment income, net	1,110	1,110	4,094	2,984
<b>Total revenues</b>	<u>49,366</u>	<u>49,366</u>	<u>53,115</u>	<u>3,749</u>
<b>Expenditures:</b>				
Current:				
Public safety	32,382	32,567	32,566	1
<b>Total expenditures</b>	<u>32,382</u>	<u>32,567</u>	<u>32,566</u>	<u>1</u>
<b>Excess of revenues over expenditures</b>	<u>49,366</u>	<u>49,366</u>	<u>20,549</u>	<u>28,817</u>
<b>Net change in fund balance</b>	<u>\$ 49,366</u>	<u>\$ 49,366</u>	<u>20,549</u>	<u>\$ 28,817</u>
Fund balance at beginning of the year			<u>92,603</u>	
Fund balance at end of the year			<u>\$ 113,152</u>	

**CITY OF BREA, CALIFORNIA**

**SCHEDULE TO REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
CENTRAL PARK VILLAGE CFD SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 30,900	\$ 30,900	\$ 42,376	\$ 11,476
Investment income, net	300	300	2,387	2,087
<b>Total revenues</b>	<u>31,200</u>	<u>31,200</u>	<u>44,763</u>	<u>13,563</u>
<b>Expenditures:</b>				
Current:				
Public safety	-	2,875	2,871	4
<b>Total expenditures</b>	<u>-</u>	<u>2,875</u>	<u>2,871</u>	<u>4</u>
<b>Net change in fund balance</b>	<u>\$ 31,200</u>	<u>\$ 31,200</u>	<u>41,892</u>	<u>\$ (10,692)</u>
Fund balance at beginning of the year			<u>30,608</u>	
Fund balance at end of the year			<u>\$ 72,500</u>	



**CITY OF BREA, CALIFORNIA**

**SCHEDULE TO REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL AND MITIGATION IMPROVEMENT CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Investment income, net	\$ 75,730	\$ 75,730	\$ 107,342	\$ 31,612
<b>Excess of revenues over expenditures</b>	<u>75,730</u>	<u>75,730</u>	<u>107,342</u>	<u>31,612</u>
<b>Net change in fund balance</b>	<u>\$ 75,730</u>	<u>\$ 75,730</u>	<u>107,342</u>	<u>\$ 31,612</u>
Fund balance at beginning of the year			<u>4,103,447</u>	
Fund balance at end of the year			<u>\$ 4,210,789</u>	

**CITY OF BREA, CALIFORNIA**

**SCHEDULE TO REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
STORM DRAIN CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Investment income, net	\$ 3,710	\$ 3,710	\$ 10,205	\$ 6,495
Miscellaneous	-	-	70,472	70,472
<b>Total revenues</b>	3,710	3,710	80,677	76,967
<b>Net change in fund balance</b>	\$ 3,710	\$ 3,710	80,677	\$ 76,967
Fund balance at beginning of the year			256,955	
Fund balance at end of the year			\$ 337,632	

**CITY OF BREA, CALIFORNIA**

**SCHEDULE TO REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MIDBURY ASSESSMENT AUTHORITY CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 7,718	\$ 7,718	\$ 6,461	\$ (1,257)
Investment income, net	80	80	455	375
<b>Total revenues</b>	7,798	7,798	6,916	(882)
 <b>Expenditures:</b>				
Current:				
General government	468	468	412	56
<b>Net change in fund balance</b>	\$ 7,330	\$ 7,330	6,504	\$ 826
Fund balance at beginning of the year			(4,859)	
Fund balance at end of the year			\$ 1,645	

## **NON-MAJOR PROPRIETARY FUNDS**

### **Urban Runoff Fund**

The 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.

### **Sanitation Fund**

The 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.

### **Information Technology External Support Fund**

This 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 participating cities on a continuing basis are financed or recovered primarily through user charges.

**CITY OF BREA, CALIFORNIA**

**COMBINING STATEMENT OF NET POSITION  
NON-MAJOR PROPRIETARY FUNDS  
JUNE 30, 2019**

	Urban Runoff	Sanitation	Information Technology External Support	Total
<b>Assets:</b>				
Current assets:				
Cash and investments	\$ 620,624	\$ 46,089	\$ 550,976	\$ 1,217,689
Accounts				
Accounts receivable	68,226	612,261	216,752	897,239
Due from other governments	-	11,371	-	11,371
<b>Total current assets</b>	<b>688,850</b>	<b>669,721</b>	<b>767,728</b>	<b>2,126,299</b>
Noncurrent:				
Restricted cash and investments	17,800	-	220,000	237,800
Capital assets - net of accumulated depreciation	390	-	-	390
<b>Total noncurrent assets</b>	<b>18,190</b>	<b>-</b>	<b>220,000</b>	<b>238,190</b>
<b>Total assets</b>	<b>707,040</b>	<b>669,721</b>	<b>987,728</b>	<b>2,364,489</b>
<b>Deferred outflows of resources:</b>				
Deferred pension related items	31,830	138,798	459,173	629,801
Deferred OPEB related items	3,112	12,797	45,119	61,028
<b>Total deferred outflows of resources</b>	<b>34,942</b>	<b>151,595</b>	<b>504,292</b>	<b>690,829</b>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	30,088	231,879	2,449	264,416
Due to other funds	-	208,794	-	208,794
Compensated absences, due within one year	-	1,775	65,965	67,740
<b>Total current liabilities</b>	<b>30,088</b>	<b>442,448</b>	<b>68,414</b>	<b>540,950</b>
Noncurrent:				
Compensated absences, due in more than one year	-	591	21,988	22,579
Net pension liability	313,733	2,163,956	2,699,145	5,176,834
Total OPEB liability	61,573	258,893	1,119,985	1,440,451
<b>Total noncurrent liabilities</b>	<b>375,306</b>	<b>2,423,440</b>	<b>3,841,118</b>	<b>6,639,864</b>
<b>Total liabilities</b>	<b>405,394</b>	<b>2,865,888</b>	<b>3,909,532</b>	<b>7,180,814</b>
<b>Deferred inflows of resources:</b>				
Deferred pension related items	33,733	370,953	(60,607)	344,079
Deferred OPEB related items	5,920	24,825	105,038	135,783
<b>Total deferred inflows of resources</b>	<b>39,653</b>	<b>395,778</b>	<b>44,431</b>	<b>479,862</b>
<b>Net position (deficit):</b>				
Net investment in capital assets	390	-	-	390
Unrestricted	296,545	(2,440,350)	(2,461,943)	(4,605,748)
<b>Total net position (deficit)</b>	<b>\$ 296,935</b>	<b>\$ (2,440,350)</b>	<b>\$ (2,461,943)</b>	<b>\$ (4,605,358)</b>

**CITY OF BREA, CALIFORNIA**

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
NON-MAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Urban Runoff	Sanitation	Information Technology External Support	Total
<b>Operating revenues:</b>				
Charges for services	\$ 427,263	\$ 2,956,124	\$ 1,380,894	\$ 4,764,281
Fines and forfeitures	318	-	-	318
Other revenues	17,277	13,210	-	30,487
<b>Total operating revenues</b>	<u>444,858</u>	<u>2,969,334</u>	<u>1,380,894</u>	<u>4,795,086</u>
<b>Operating expenses:</b>				
Personnel services	212,624	782,367	1,495,271	2,490,262
Maintenance and operation	206,580	2,637,180	157,331	3,001,091
Depreciation expense	938	-	-	938
<b>Total operating expenses</b>	<u>420,142</u>	<u>3,419,547</u>	<u>1,652,602</u>	<u>5,492,291</u>
<b>Operating income (loss)</b>	<u>24,716</u>	<u>(450,213)</u>	<u>(271,708)</u>	<u>(697,205)</u>
<b>Nonoperating revenues (expenses):</b>				
Intergovernmental revenues	-	11,371	-	11,371
Interest revenues (expense)	24,212	(7,468)	26,525	43,269
<b>Total nonoperating revenues (expenses)</b>	<u>24,212</u>	<u>3,903</u>	<u>26,525</u>	<u>54,640</u>
<b>Income (loss) before contributions and transfers</b>	<u>48,928</u>	<u>(446,310)</u>	<u>(245,183)</u>	<u>(642,565)</u>
<b>Transfers:</b>				
Transfers in	-	516,300	-	516,300
<b>Change in net position</b>	48,928	69,990	(245,183)	(126,265)
<b>Net position (deficit) at beginning of year</b>	<u>248,007</u>	<u>(2,510,340)</u>	<u>(2,216,760)</u>	<u>(4,479,093)</u>
<b>Net position (deficit) at end of year</b>	<u>\$ 296,935</u>	<u>\$ (2,440,350)</u>	<u>\$ (2,461,943)</u>	<u>\$ (4,605,358)</u>

**CITY OF BREA, CALIFORNIA**

**COMBINING STATEMENT OF CASH FLOWS  
NON-MAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<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	\$ 439,730	\$ 2,992,168	\$ 1,468,380	\$ 4,900,278
Cash payments to suppliers for goods and services	(195,129)	(2,680,568)	(157,153)	(3,032,850)
Cash payments to employees for services	<u>(194,755)</u>	<u>(785,714)</u>	<u>(1,280,269)</u>	<u>(2,260,738)</u>
<b>Net cash provided by (used for) operating activities</b>	<u>49,846</u>	<u>(474,114)</u>	<u>30,958</u>	<u>(393,310)</u>
<b>Cash flows from non-capital financing activities:</b>				
Cash transfers in	-	516,300	-	516,300
Intergovernmental revenues	<u>-</u>	<u>11,371</u>	<u>-</u>	<u>11,371</u>
<b>Net cash provided by (used for) noncapital financing activities</b>	<u>-</u>	<u>527,671</u>	<u>-</u>	<u>527,671</u>
<b>Cash flows from investing activities:</b>				
Interest received	24,212	-	26,525	50,737
Interest paid	<u>-</u>	<u>(7,468)</u>	<u>-</u>	<u>(7,468)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	74,058	46,089	57,483	177,630
Cash and Cash Equivalents at Beginning of Year	<u>564,366</u>	<u>-</u>	<u>713,493</u>	<u>1,277,859</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 638,424</u></u>	<u><u>\$ 46,089</u></u>	<u><u>\$ 770,976</u></u>	<u><u>\$ 1,455,489</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	<u>\$ 24,716</u>	<u>\$ (450,213)</u>	<u>\$ (271,708)</u>	<u>\$ (697,205)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	938	-	-	938
(Increase) decrease in accounts receivable	(5,128)	22,834	87,486	105,192
(Decrease) increase in accounts payable	11,451	(43,388)	178	(31,759)
(Decrease) increase in due to other funds	-	(71,917)	-	(71,917)
(Decrease) increase in compensated absences	-	(8,582)	(11,448)	(20,030)
Net changes in pension related items	17,765	76,730	224,961	319,456
Net changes in OPEB related items	104	422	1,489	2,015
<b>Total adjustments</b>	<u>25,130</u>	<u>(23,901)</u>	<u>302,666</u>	<u>303,895</u>
<b>Net cash provided by (used for) operating activities</b>	<u><u>\$ 49,846</u></u>	<u><u>\$ (474,114)</u></u>	<u><u>\$ 30,958</u></u>	<u><u>\$ (393,310)</u></u>

**Non-cash investing, capital and financing activities:**

There were no non-cash investing, capital or financing activities during the year.

## INTERNAL SERVICE FUNDS

### Risk Management Fund

This fund is used to account for the 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.

### Information Technology Fund

This fund is used to account for the operations of the City's internal information technology division. Such costs are billed to the departments and/or division based upon a predetermined rate set during the budget process. This is a new fund that was established by management.

### Vehicle Maintenance Fund

This fund was created 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.

### Building Occupancy Fund

This fund is used to account for the 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, CALIFORNIA**

**COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2019**

	Risk Management	Information Technology	Vehicle Replacement	Building Occupancy	Totals 2019
<b>Assets:</b>					
Current assets:					
Cash and investments	\$ 5,494,828	\$ 447,409	\$ 854,739	\$ 581,663	\$ 7,378,639
Receivables:					
Accounts	118,894	-	-	-	118,894
Due from other governments	-	-	8,581	-	8,581
<b>Total current assets</b>	<u>5,613,722</u>	<u>447,409</u>	<u>863,320</u>	<u>581,663</u>	<u>7,506,114</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	-	357,264	4,310,315	1,289,135	5,956,714
<b>Total noncurrent assets</b>	<u>-</u>	<u>357,264</u>	<u>4,310,315</u>	<u>1,289,135</u>	<u>5,956,714</u>
<b>Total assets</b>	<u>5,613,722</u>	<u>804,673</u>	<u>5,173,635</u>	<u>1,870,798</u>	<u>13,462,828</u>
<b>Deferred outflows of resources:</b>					
Deferred pension related items	64,560	69,285	180,672	213,715	528,232
Deferred OPEB related items	6,025	95,421	18,086	22,259	141,791
<b>Total Deferred outflows of resources</b>	<u>70,585</u>	<u>164,706</u>	<u>198,758</u>	<u>235,974</u>	<u>670,023</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$ 2,648	\$ 34,983	\$ 136,506	\$ 129,232	\$ 303,369
Compensated absences, due within one year	-	-	26,032	50,990	77,022
Claims and judgments, due within one year	1,799,324	-	-	-	1,799,324
<b>Total current liabilities</b>	<u>1,801,972</u>	<u>34,983</u>	<u>162,538</u>	<u>180,222</u>	<u>2,179,715</u>
Non-current liabilities:					
Compensated absences, due in more than one year	-	-	8,678	16,996	25,674
Claims and judgments, due in more than one year	3,341,601	-	-	-	3,341,601
Net pension liability	473,247	606,048	1,379,313	1,539,862	3,998,470
Total OPEB liability	122,996	1,132,678	361,589	446,172	2,063,435
<b>Total liabilities</b>	<u>5,739,816</u>	<u>1,773,709</u>	<u>1,912,118</u>	<u>2,183,252</u>	<u>11,608,895</u>
<b>Deferred inflows of resources:</b>					
Deferred pension related items	13,115	(77,970)	91,422	59,516	86,083
Deferred OPEB related items	11,781	73,105	34,722	42,831	162,439
<b>Total deferred inflows of resources</b>	<u>24,896</u>	<u>(4,865)</u>	<u>126,144</u>	<u>102,347</u>	<u>248,522</u>
<b>Net position:</b>					
Net investment in capital assets	-	357,264	4,310,315	1,289,135	5,956,714
Unrestricted	(80,405)	(1,156,729)	(976,184)	(1,467,962)	(3,681,280)
<b>Total net position</b>	<u>\$ (80,405)</u>	<u>\$ (799,465)</u>	<u>\$ 3,334,131</u>	<u>\$ (178,827)</u>	<u>\$ 2,275,434</u>

**CITY OF BREA, CALIFORNIA**

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Risk Management	Information Technology	Vehicle Maintenance	Building Occupancy	Total
<b>Operating revenues:</b>					
Passenger revenues					
Charge for service	\$ 2,805,970	\$ 2,549,723	\$ 2,166,110	\$ 2,374,721	\$ 9,896,524
Other revenues	178,833	2,292	17,725	96,459	295,309
<b>Total operating revenues</b>	<u>2,984,803</u>	<u>2,552,015</u>	<u>2,183,835</u>	<u>2,471,180</u>	<u>10,191,833</u>
<b>Operating expenses:</b>					
Personnel services	280,275	1,757,855	720,190	987,118	3,745,438
Maintenance and operation	995,536	695,172	1,170,906	1,520,404	4,382,018
Claims and judgements	1,942,325	-	-	-	1,942,325
Depreciation expense	-	1,861	666,129	121,290	789,280
<b>Total operating expenses</b>	<u>3,218,136</u>	<u>2,454,888</u>	<u>2,557,225</u>	<u>2,628,812</u>	<u>10,859,061</u>
<b>Operating income (loss)</b>	<u>(233,333)</u>	<u>97,127</u>	<u>(373,390)</u>	<u>(157,632)</u>	<u>(667,228)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest revenue (expense)	209,862	21,102	34,372	21,731	287,067
Gain (loss) on disposal of capital assets	-	-	67,914	-	67,914
<b>Total nonoperating revenues (expenses)</b>	<u>209,862</u>	<u>21,102</u>	<u>102,286</u>	<u>21,731</u>	<u>354,981</u>
<b>Income (loss) before transfers</b>	<u>(23,471)</u>	<u>118,229</u>	<u>(271,104)</u>	<u>(135,901)</u>	<u>(312,247)</u>
<b>Transfers:</b>					
Transfers in	-	300,000	60,000	-	360,000
<b>Change in net position</b>	<u>(23,471)</u>	<u>418,229</u>	<u>(211,104)</u>	<u>(135,901)</u>	<u>47,753</u>
<b>Net position at beginning of Year</b>	<u>(56,934)</u>	<u>(1,217,694)</u>	<u>3,545,235</u>	<u>(42,926)</u>	<u>2,227,681</u>
<b>Net position at end of year</b>	<u>\$ (80,405)</u>	<u>\$ (799,465)</u>	<u>\$ 3,334,131</u>	<u>\$ (178,827)</u>	<u>\$ 2,275,434</u>

**CITY OF BREA, CALIFORNIA**

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Risk Management	Information Technology	Vehicle Maintenance	Building Occupancy	Total
<b>Cash flows from operating activities:</b>					
Cash received from users and departments	\$ 2,865,909	\$ 2,552,015	\$ 2,181,167	\$ 2,488,217	\$ 10,087,308
Cash payments to suppliers for goods and services	(940,771)	(686,188)	(618,957)	(1,491,434)	(3,737,350)
Cash payments to employees for services	(2,104,602)	(1,479,049)	(644,207)	(878,985)	(5,106,843)
<b>Net cash provided by (used for) operating activities</b>	<b>(179,464)</b>	<b>386,778</b>	<b>918,003</b>	<b>117,798</b>	<b>1,243,115</b>
<b>Cash flows from non-capital financing activities:</b>					
Cash transfers in	-	300,000	60,000	-	360,000
Advances received from other funds	289,255	-	-	-	289,255
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>289,255</b>	<b>300,000</b>	<b>60,000</b>	<b>-</b>	<b>649,255</b>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition and construction of capital assets	-	(359,125)	(1,161,672)	(67,552)	(1,588,349)
Proceeds from sale of capital assets	-	-	34,312	-	34,312
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>-</b>	<b>(359,125)</b>	<b>(1,127,360)</b>	<b>(67,552)</b>	<b>(1,554,037)</b>
<b>Cash flows from investing activities:</b>					
Interest received	209,862	21,102	34,372	21,731	287,067
<b>Net cash provided by (used for) investing activities</b>	<b>209,862</b>	<b>21,102</b>	<b>34,372</b>	<b>21,731</b>	<b>287,067</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>319,653</b>	<b>348,755</b>	<b>(114,985)</b>	<b>71,977</b>	<b>625,400</b>
Cash and Cash Equivalents at Beginning of Year	5,175,175	98,654	969,724	509,686	6,753,239
Cash and Cash Equivalents at End of Year	\$ 5,494,828	\$ 447,409	\$ 854,739	\$ 581,663	\$ 7,378,639
<b>Reconciliation of operating income to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ (233,333)	\$ 97,127	\$ (373,390)	\$ (157,632)	\$ (667,228)
<b>Adjustments to reconcile operating income (loss) net cash provided by (used for) operating activities:</b>					
Depreciation	-	1,861	666,129	121,290	789,280
(Increase) decrease in prepaid expenses	-	-	508,676	-	508,676
(Increase ) decrease in accounts receivable	(118,894)	-	5,913	-	(112,981)
(Increase) decrease in due from other governments	-	-	(8,581)	-	(8,581)
Increase (decrease) in accounts payable	(6,128)	22,188	20,625	8,339	45,024
Increase (decrease) in claims and judgements	119,559	-	-	-	119,559
Increase (decrease) in compensated absences	-	-	2,471	8,698	11,169
Net changes in pension related items	59,134	264,020	95,563	136,368	555,085
Net changes in OPEB related items	198	1,582	597	735	3,112
<b>Total adjustments</b>	<b>53,869</b>	<b>289,651</b>	<b>1,291,393</b>	<b>275,430</b>	<b>1,910,343</b>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (179,464)</b>	<b>\$ 386,778</b>	<b>\$ 918,003</b>	<b>\$ 117,798</b>	<b>\$ 1,243,115</b>

**Non-cash investing, capital and financing activities:**

There were no non-cash investing, capital or financing activities during the year.

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## **AGENCY FUNDS**

### **Hillside Open Space Education Coalition**

This fund is used to account for the funds received to educate the public as to the importance of hillside preservation.

### **Downtown Community Facilities District 1996-1 Fund**

This fund is used to account for the collection and payment to the holders of the 2014 Special Tax Bonds.

### **Olinda Heights Community Facilities District 1997-1 Fund**

This fund is used to account for the collection and payment to the holders of the 2005 Special Tax Bonds.

### **Brea Plaza Community Facilities District 2008-02 Fund**

This fund is used to account for the collection and payment to the holders of the 2017 Special Tax Bonds.

### **Integrated Law and Justice Agency of Orange County (ILJAOC) Fund**

This fund is 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, CALIFORNIA**

**COMBINING BALANCE SHEET  
AGENCY FUNDS  
JUNE 30, 2019**

	Hillside Open Space Education Coalition	Downtown	Olinda Heights
<b>Assets:</b>			
Cash and investments	\$ 559,225	\$ 255,809	\$ 426,258
Receivables:			
Accounts	-	-	-
Taxes	-	-	7,296
Restricted assets:			
Cash and investments with fiscal agents	-	167,029	468,601
Capital assets, net of accumulated depreciation	-	-	-
<b>Total assets</b>	<b>\$ 559,225</b>	<b>\$ 422,838</b>	<b>\$ 902,155</b>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 1,365	\$ 108
Accrued liabilities	559,225	-	-
Due to external parties/other agencies	-	421,473	902,047
<b>Total liabilities</b>	<b>\$ 559,225</b>	<b>\$ 422,838</b>	<b>\$ 902,155</b>

<u>Brea Plaza</u>	<u>ILJAO</u>	<u>Total</u>
\$ 391,828	\$ 4,043,325	\$ 5,676,445
-	25,501	25,501
-	-	7,296
692,971	-	1,328,601
-	144,993	144,993
<u>\$ 1,084,799</u>	<u>\$ 4,213,819</u>	<u>\$ 7,182,836</u>
\$ 47	\$ 184,184	\$ 185,704
-	-	559,225
1,084,752	4,029,635	6,437,907
<u>\$ 1,084,799</u>	<u>\$ 4,213,819</u>	<u>\$ 7,182,836</u>

**CITY OF BREA, CALIFORNIA**

**COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b><u>Hillside Open Space Education Coalition</u></b>				
<b>Assets</b>				
Cash and investments	\$ 537,995	\$ 559,225	\$ 537,995	\$ 559,225
<b>Liabilities</b>				
Accrued liabilities	\$ 537,995	\$ 559,225	\$ 537,995	\$ 559,225
<b><u>Downtown</u></b>				
<b>Assets</b>				
Cash and investments	\$ 256,216	\$ 255,809	\$ 256,216	\$ 255,809
Restricted assets:				
Cash and investments with fiscal agents	163,771	167,029	163,771	167,029
<b>Total Assets</b>	\$ 419,987	\$ 422,838	\$ 419,987	\$ 422,838
<b>Liabilities</b>				
Accounts payable	\$ 1,889	\$ 1,365	\$ 1,889	\$ 1,365
Due to external parties/other agencies	418,098	421,473	418,098	421,473
<b>Total Liabilities</b>	\$ 419,987	\$ 422,838	\$ 419,987	\$ 422,838
<b><u>Olinda Heights</u></b>				
<b>Assets</b>				
Cash and investments	\$ 399,874	\$ 426,258	\$ 399,874	\$ 426,258
Receivables:				
Taxes	7,810	7,296	7,810	7,296
Restricted assets:				
Cash and investments with fiscal agents	446,894	468,601	446,894	468,601
<b>Total Assets</b>	\$ 854,578	\$ 902,155	\$ 854,578	\$ 902,155
<b>Liabilities</b>				
Accounts payable	\$ 282	\$ 108	\$ 282	\$ 108
Due to external parties/other agencies	854,296	902,047	854,296	902,047
<b>Total Liabilities</b>	\$ 854,578	\$ 902,155	\$ 854,578	\$ 902,155
<b><u>Brea Plaza</u></b>				
<b>Assets</b>				
Cash and investments	\$ 590,551	\$ 391,828	\$ 590,551	\$ 391,828
Restricted assets:				
Cash and investments with fiscal agents	674,907	692,971	674,907	692,971
<b>Total Assets</b>	\$ 1,265,458	\$ 1,084,799	\$ 1,265,458	\$ 1,084,799
<b>Liabilities</b>				
Accounts payable	\$ 4,309	\$ 47	\$ 4,309	\$ 47
Due to external parties/other agencies	1,261,149	1,084,752	1,261,149	1,084,752
<b>Total Liabilities</b>	\$ 1,265,458	\$ 1,084,799	\$ 1,265,458	\$ 1,084,799



<u>ILJAO</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>Assets</b>				
Cash and investments	\$ 3,669,998	\$ 4,043,325	\$ 3,669,998	\$ 4,043,325
Receivables:				
Accounts	17,361	25,501	17,361	25,501
Due from other governments	19,065	-	19,065	-
Capital assets:				
Capital assets, net of depreciations	275,324	144,993	275,324	144,993
<b>Total Assets</b>	<u>\$ 3,981,748</u>	<u>\$ 4,213,819</u>	<u>\$ 3,981,748</u>	<u>\$ 4,213,819</u>
<b>Liabilities</b>				
Accounts payable	\$ 231,632	\$ 184,184	\$ 231,632	\$ 184,184
Due to external parties/other agencies	3,750,116	4,029,635	3,750,116	4,029,635
<b>Total Liabilities</b>	<u>\$ 3,981,748</u>	<u>\$ 4,213,819</u>	<u>\$ 3,981,748</u>	<u>\$ 4,213,819</u>
<b>Total Agency Funds</b>				
<b>Assets</b>				
Cash and investments	\$ 5,454,634	\$ 5,676,445	\$ 5,454,634	\$ 5,676,445
Receivables:				
Taxes	7,810	7,296	7,810	7,296
Accounts	17,361	25,501	17,361	25,501
Due from other governments	19,065	-	19,065	-
Restricted assets:				
Cash and investments with fiscal agents	1,285,572	1,328,601	1,285,572	1,328,601
Capital assets:				
Capital assets, net of depreciations	275,324	144,993	275,324	144,993
<b>Total Assets</b>	<u>\$ 7,059,766</u>	<u>\$ 7,182,836</u>	<u>\$ 7,059,766</u>	<u>\$ 7,182,836</u>
<b>Liabilities</b>				
Accounts payable	\$ 238,112	\$ 185,704	\$ 238,112	\$ 185,704
Accrued liabilities	537,995	559,225	537,995	559,225
Due to City of Brea	-	-	-	-
Due to external parties/other agencies	6,283,659	6,437,907	6,283,659	6,437,907
<b>Total Liabilities</b>	<u>\$ 7,059,766</u>	<u>\$ 7,182,836</u>	<u>\$ 7,059,766</u>	<u>\$ 7,182,836</u>

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**STATISTICAL SECTION**

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## 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.*

### Contents

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#### **Financial Trends**

*These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.*

#### **Revenue Capacity**

*These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.*

#### **Debt Capacity**

*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.*

#### **Demographic and Economic Information**

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.*

#### **Operating Information**

*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.*

**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 TEN FISCAL YEARS  
(Accrual basis of accounting)**

	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 49,313,284	\$ 40,774,347	\$ 36,846,317	\$ 165,031,654	\$ 164,750,324	\$ 158,976,819	\$ 165,493,107	\$ 170,548,467	\$ 204,322,724	\$ 202,990,193
Restricted	62,325,348	73,800,755	26,596,796	53,379,627	48,418,876	56,883,753	54,629,374	52,867,078	52,729,420	44,544,588
Unrestricted	(34,372,602)	(33,277,968)	157,129,179	29,028,179	30,997,188	(64,027,907)	(58,217,717)	(57,154,376)	(76,701,929)	(69,878,160)
Total governmental activities net position	\$ 77,266,030	\$ 81,297,134	\$ 220,572,292	\$ 247,439,460	\$ 244,166,388	\$ 151,832,665	\$ 161,904,764	\$ 166,261,169	\$ 180,350,215	\$ 177,656,621
<b>Business-type Activities</b>										
Net investment in capital assets	\$ 45,690,842	\$ 27,869,296	\$ 36,107,809	\$ 36,804,832	\$ 31,396,904	\$ 33,367,826	\$ 33,174,074	\$ 42,091,695	\$ 58,347,144	\$ 55,408,764
Restricted	-	7,028,848	5,217,299	7,411,252	5,213,677	6,203,193	6,165,829	5,641,012	5,657,518	5,843,171
Unrestricted	7,101,987	13,592,110	7,695,077	6,023,885	19,603,041	8,603,346	12,637,920	14,392,925	15,322,371	26,097,664
Total business-type activities net position	\$ 52,792,829	\$ 48,490,254	\$ 49,020,185	\$ 50,239,969	\$ 56,213,622	\$ 48,174,365	\$ 51,977,823	\$ 62,125,632	\$ 79,327,033	\$ 87,349,599
<b>Primary Government</b>										
Net investment in capital assets	\$ 95,004,126	\$ 68,643,643	\$ 72,954,126	\$ 201,836,486	\$ 196,147,228	\$ 192,344,645	\$ 198,667,181	\$ 212,640,162	\$ 262,669,868	\$ 258,398,957
Restricted	62,325,348	80,829,603	31,814,095	60,790,879	53,632,553	63,086,946	60,795,203	58,508,090	58,386,938	50,387,759
Unrestricted	(27,270,615)	(19,685,858)	164,824,256	35,052,064	50,600,229	(55,424,561)	(45,579,797)	(42,761,451)	(61,379,558)	(43,780,496)
Total primary government net position	\$ 130,058,859	\$ 129,787,388	\$ 269,592,477	\$ 297,679,429	\$ 300,380,010	\$ 200,007,030	\$ 213,882,587	\$ 228,386,801	\$ 259,677,248	\$ 265,006,220

**CITY OF BREA**

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

	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
<b>Expenses:</b>										
Governmental activities:										
General government	\$ 8,516,391	\$ 7,530,948	\$ 9,747,589	\$ 7,495,185	\$ 7,352,190	\$ 7,569,787	\$ 7,297,652	\$ 7,758,276	\$ 6,679,825	\$ 7,546,630
Public safety	35,756,811	36,221,221	39,166,833	35,849,288	31,408,789	32,409,727	31,372,155	33,938,469	40,137,072	41,777,845
Community Development	17,213,948	11,056,047	2,312,830	2,615,088	5,201,569	2,836,727	3,010,978	3,403,082	3,784,020	3,410,346
Community services	6,154,495	6,106,128	6,623,220	6,622,332	7,023,682	7,441,012	7,267,829	7,598,666	8,054,662	8,442,748
Public Works	7,075,398	19,991,034	15,240,604	9,718,841	10,092,864	12,367,078	13,544,061	16,306,542	18,324,571	16,207,579
Interest on long-term debt	9,607,504	9,228,093	2,414,053	501,265	458,021	435,772	435,207	414,974	380,159	78,066
Total governmental activities expenses	84,324,547	90,133,471	75,505,129	62,801,999	61,537,115	63,060,103	62,927,882	69,420,009	77,360,309	77,463,214
Business-type activities:										
Urban run-off	284,692	244,479	269,518	288,517	310,717	388,493	415,328	376,623	396,030	422,699
Water utility	14,025,354	14,067,772	15,512,551	14,893,425	16,048,442	15,752,822	14,085,433	14,892,443	17,306,036	18,136,961
Sewer utility	1,073,775	1,080,134	1,227,087	1,353,552	1,525,820	1,575,738	1,590,905	1,630,319	1,896,662	2,623,606
Sanitation	2,486,588	2,565,324	2,706,954	2,789,289	2,849,515	2,910,840	2,937,684	3,045,308	3,283,613	3,450,228
Information Technology External Support	1,958,140	1,230,704	1,269,800	1,271,540	1,228,919	1,240,462	1,312,899	1,724,116	1,790,154	1,656,765
Total business-type activities expenses	19,828,549	19,188,413	20,985,910	20,586,323	21,963,413	21,868,355	20,342,249	21,658,809	24,672,495	26,290,259
Total primary government expenses	\$ 104,153,096	\$ 109,321,884	\$ 96,491,039	\$ 83,388,322	\$ 83,500,528	\$ 84,928,458	\$ 83,270,131	\$ 91,078,818	\$ 102,032,804	\$ 103,753,473
<b>Program Revenues:</b>										
Governmental activities:										
Charges for services:										
General government	\$ 730,875	\$ 433,932	\$ 2,177,602	\$ 1,890,749	\$ 1,631,098	\$ 1,663,401	\$ 1,765,913	\$ 1,605,816	\$ 1,403,754	\$ 1,137,478
Public safety	13,651,052	12,878,402	13,155,339	7,315,925	1,533,213	1,376,553	1,282,646	1,297,025	1,689,176	1,392,205
Community Development	604,565	567,237	583,339	1,535,351	1,092,041	998,141	1,577,964	2,151,955	4,619,615	1,048,258
Community services	3,304,933	2,248,603	1,737,725	3,638,056	4,672,523	5,640,412	3,021,505	2,818,718	3,023,144	3,117,696
Public Works	469,533	2,262,329	1,955,188	1,688,142	1,909,409	1,706,630	1,257,168	1,610,889	506,348	237,689
Operating contributions and grants	5,111,923	3,542,733	6,364,114	4,955,213	3,502,773	3,238,366	3,399,311	2,632,718	3,964,816	5,210,335
Capital contributions and grants	15,640,554	4,501,863	8,472,778	3,495,573	1,187,623	3,908,617	2,336,984	5,668,485	43,192,575	4,959,143
Total governmental activities program revenues	39,513,435	26,435,099	34,446,085	24,519,009	15,528,680	18,532,120	14,641,491	17,785,606	58,399,428	17,102,804
Business-type activities:										
Charges for services:										
Urban run-off	333,760	351,123	377,950	361,321	380,256	384,523	402,205	412,086	418,426	444,857
Water utility	11,344,697	11,834,601	14,085,133	16,401,415	18,813,373	18,242,242	16,520,362	20,098,490	22,885,107	21,870,826
Sewer utility	1,894,176	2,008,507	1,932,161	2,018,405	2,136,760	2,141,422	2,236,813	2,322,756	2,239,774	2,593,670
Sanitation	3,037,508	3,138,125	3,158,430	3,199,135	3,317,183	3,431,013	3,531,648	3,584,153	3,727,950	2,969,334
Information Technology External Support	1,546,020	1,642,756	1,676,577	1,499,019	1,472,730	1,532,097	1,807,305	1,959,634	1,695,050	1,380,895
Operating contributions and grants	-	11,323	11,323	11,323	11,371	-	11,371	525,165	501,959	501,990
Capital contributions and grants	389,905	-	-	-	1,209,000	1,521,000	-	14,285,715	2,705,537	2,705,537
Total business-type activities program revenues	18,546,066	18,986,435	21,241,574	23,490,618	27,340,673	27,522,297	24,509,704	28,902,284	45,753,981	32,467,109
Primary government program revenues	\$ 58,059,501	\$ 45,421,534	\$ 55,687,659	\$ 48,009,627	\$ 42,869,353	\$ 45,784,417	\$ 39,151,195	\$ 46,687,890	\$ 104,153,409	\$ 49,569,913





CITY OF BREA

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

	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	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
General Fund										
Reserved	\$ 785,545	-	-	-	-	-	-	-	-	-
Unreserved	21,339,180	-	-	-	-	-	-	-	-	-
Nonspendable	-	362,049	1,580,778	1,675,150	1,096,665	856,591	615,605	412,659	139,562	8,826
Restricted	-	870,294	926,483	1,191,585	1,161,494	1,392,800	7,448,016	8,201,746	8,112,011	8,661,782
Committed	-	7,048,285	6,546,809	7,496,895	8,649,210	8,616,218	9,091,623	-	867,841	980,101
Assigned	-	798,915	590,613	667,696	800,857	573,064	590,815	11,316,072	12,270,563	12,777,708
Unassigned	-	16,998,367	21,075,761	21,224,287	21,046,657	23,586,834	19,154,869	14,077,609	14,703,360	21,203,689
Total general fund	\$ 22,124,725	\$ 26,077,910	\$ 30,720,444	\$ 32,255,613	\$ 32,754,883	\$ 35,025,507	\$ 36,900,928	\$ 34,008,086	\$ 36,093,337	\$ 43,632,106
All Other Governmental Funds										
Reserved	\$ 47,477,075	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	9,623,245	-	-	-	-	-	-	-	-	-
Capital projects funds	22,796,432	-	-	-	-	-	-	-	-	-
Debt service funds	12,049,980	-	-	-	-	-	-	-	-	-
Nonspendable	-	21,711,076	-	-	18,212,052	18,067,123	-	-	-	-
Restricted	-	70,255,597	25,670,313	52,188,042	29,045,330	28,721,740	47,181,358	44,665,332	44,617,410	43,625,108
Assigned	-	9,915,996	1,705,413	-	-	-	-	-	-	-
Unassigned	-	(335,374)	(54,141)	(144,652)	(89,971)	(78,497)	(79,171)	(19,272)	(9,653)	(27,156)
Total all other governmental funds	\$ 91,946,732	\$ 101,547,295	\$ 27,321,585	\$ 52,043,390	\$ 47,167,411	\$ 46,710,366	\$ 47,102,187	\$ 44,646,060	\$ 44,607,757	\$ 43,597,952

<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 TEN FISCAL YEARS

(Modified accrual basis of accounting)

	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
<b>Revenues:</b>										
Taxes	\$ 55,174,409	\$ 53,658,443	\$ 52,965,161	\$ 33,464,585	\$ 35,621,119	\$ 37,453,770	\$ 40,526,309	\$ 40,215,974	\$ 41,074,462	\$ 47,100,463
Licenses and permits	468,491	502,449	468,154	485,113	608,664	645,054	782,250	870,940	584,841	606,355
Intergovernmental	3,678,295	9,065,309	9,057,154	7,391,599	5,921,198	7,992,057	10,535,171	9,506,268	24,323,998	15,360,014
Contributions	13,400,000	-	6,012,024	2,299,568	199,811	497,304	2,080	535	105,514	102,886
Charges for services	14,754,248	17,578,136	16,383,685	12,386,985	7,416,279	8,125,141	5,451,452	6,188,947	8,008,055	3,953,235
Use of money and property <sup>1</sup>	3,833,071	3,625,103	3,212,863	1,797,849	2,580,210	2,379,065	2,778,480	2,542,341	1,914,998	4,445,507
Fines and forfeitures	2,160,058	1,823,981	1,811,929	1,500,354	1,067,593	842,001	790,247	597,476	824,358	892,120
Other revenues	2,566,836	3,431,088	5,032,030	5,377,484	2,907,555	3,025,883	2,852,006	5,462,816	3,660,707	3,424,423
Total revenues	96,035,408	89,684,509	94,943,000	64,703,537	56,322,429	60,960,275	63,717,995	65,385,297	80,496,933	75,885,003
<b>Expenditures:</b>										
General Government	6,302,472	6,199,044	6,889,583	5,569,582	5,479,851	5,635,476	5,751,038	5,645,218	5,365,030	5,867,534
Public Safety	35,669,855	34,916,663	36,925,686	35,270,155	31,461,089	31,340,804	33,095,380	34,377,568	35,511,682	36,294,416
Development Services <sup>2</sup>	5,177,066	-	-	-	-	-	-	-	-	-
Community Development <sup>2</sup>	-	6,581,513	2,213,502	2,669,989	5,206,914	2,853,942	3,191,325	3,470,595	3,469,989	3,040,469
Community Services	6,108,153	5,808,160	5,930,685	6,141,746	6,450,201	6,750,909	7,048,955	7,395,363	7,284,303	7,540,687
Maintenance Services <sup>2</sup>	4,201,954	-	-	-	-	-	-	-	-	-
Public Works <sup>2</sup>	-	4,550,487	4,715,759	4,769,385	4,925,155	5,200,858	5,456,277	5,778,004	5,390,103	5,377,987
Capital Outlay	13,152,533	26,027,011	12,901,819	6,896,432	7,350,289	8,129,441	9,372,430	14,808,389	21,198,635	9,524,720
Debt service:										
Principal retirement	8,476,465	8,402,943	9,021,235	368,460	350,000	370,000	618,132	410,411	435,389	465,458
Interest and fiscal charges	8,899,460	8,980,763	4,246,122	460,878	439,402	416,792	420,772	397,243	383,551	368,468
Debt issuance costs	145,961	649,830	-	-	-	-	-	-	-	-
Pass-through agreement payments	3,437,854	2,537,558	457,812	-	-	-	-	-	-	-
SERAF payment	8,983,766	1,849,599	-	-	-	-	-	-	-	-
Total expenditures	100,555,539	106,503,571	83,302,203	62,146,627	61,662,901	60,698,222	64,954,309	72,282,791	79,038,682	68,479,739
Excess (deficiency) of revenues over (under) expenditures	(4,520,131)	(16,819,062)	11,640,797	2,556,910	(5,340,472)	262,053	(1,236,314)	(6,897,494)	1,458,251	7,405,264
<b>Other Financing Sources (Uses):</b>										
Transfers in	23,268,409	33,603,347	11,074,821	6,904,709	5,890,552	6,507,993	4,378,333	10,082,394	5,791,699	3,143,969
Transfers out	(23,361,808)	(28,816,796)	(10,207,113)	(4,733,798)	(4,934,249)	(4,956,467)	(2,826,881)	(8,533,869)	(5,203,002)	(4,020,269)
Sale of capital assets	-	-	-	6,850	7,460	-	-	-	-	-
Capital leases	-	-	-	-	-	-	1,952,104	-	-	-
Long-term debt issued	7,415,000	38,594,323	-	-	-	-	-	-	-	-
Refunded debt redeemed	-	(13,185,000)	-	-	-	-	-	-	-	-
Bond premium	-	351,694	-	-	-	-	-	-	-	-
Bond discount	-	(174,757)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	7,321,601	30,372,811	867,708	2,177,761	963,763	1,551,526	3,503,556	1,548,525	588,697	(876,300)
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>\$ 2,801,470</b>	<b>\$ 13,553,749</b>	<b>\$ (69,583,176)</b>	<b>\$ 26,256,974</b>	<b>\$ (4,376,709)</b>	<b>\$ 1,813,579</b>	<b>\$ 2,267,242</b>	<b>\$ (5,348,969)</b>	<b>\$ 2,046,948</b>	<b>\$ 6,528,964</b>
Debt service as a percentage of noncapital expenditures	20.05%	20.10%	17.30%	1.52%	1.43%	1.41%	1.87%	1.41%	1.42%	1.41%

<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 reorganization plan.

<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 on February 1, 2012, 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>
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	1,112,039,475	839,411,616	7,448,220,716	0.17402
2015	4,377,268,712	1,580,151,775	1,167,513,932	826,734,462	7,951,668,881	0.17402
2016	4,945,219,822	1,670,210,797	1,168,849,914	740,725,273	8,525,005,806	0.17402
2017	5,359,064,633	1,725,644,969	1,264,334,778	775,342,859	9,124,387,239	0.17402
2018	5,598,174,721	1,844,339,813	1,437,177,754	774,675,165	9,654,367,453	0.17402
2019	6,016,606,483	1,998,943,577	1,491,711,794	757,185,866	10,264,447,720	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 TEN FISCAL YEARS**

	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
City Direct Rates:										
City of Brea	\$ 0.12902	\$ 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	0.04500
<b>Total City Direct Rate</b>	<b>0.17402</b>	<b>0.17402</b>	<b>0.17402</b>	<b>0.17402</b>	<b>0.17402</b>	<b>0.17402</b>	<b>0.17402</b>	<b>0.17402</b>	<b>0.17402</b>	<b>0.17402</b>
Overlapping Rates:										
Brea-Olinda Unified School District General Fund	0.43990	0.43990	0.43990	0.43990	0.43990	0.43990	0.43990	0.43990	0.43990	0.43990
Brea-Olinda Unified School District Bonds	0.02285	0.02426	0.02367	0.02365	0.02470	0.02528	0.02292	0.02298	0.02325	0.02370
NOC Community College General Fund	0.06660	0.06660	0.06660	0.06660	0.06660	0.06660	0.06660	0.06660	0.06660	0.06660
NOC Community College Bonds	0.01662	0.01758	0.01742	0.01902	0.01704	0.01704	0.01704	0.01704	0.01704	0.01704
Educational Revenue Augmentation Fund	0.18260	0.18260	0.18260	0.18260	0.18260	0.18260	0.18260	0.18260	0.18260	0.18260
Orange County Department of Education	0.03910	0.03910	0.03910	0.03910	0.03910	0.03910	0.03910	0.03910	0.03910	0.03910
Orange County Flood Control District	0.01880	0.01880	0.01880	0.01888	0.01888	0.01888	0.01888	0.01888	0.01888	0.01888
Orange County General Fund	0.05890	0.05890	0.05890	0.05890	0.05890	0.05890	0.05890	0.05890	0.05890	0.05890
Orange County Harbors, Beaches & Parks	0.01459	0.01459	0.01459	0.01459	0.01459	0.01459	0.01459	0.01459	0.01459	0.01459
Orange County Library District	0.01592	0.01592	0.01592	0.01592	0.01592	0.01592	0.01592	0.01592	0.01592	0.01592
Orange County Sanitation District Two Operating	0.03080	0.03080	0.03080	0.03080	0.03080	0.03080	0.03080	0.03080	0.03080	0.03080
Orange County Transportation Authority	0.00268	0.00268	0.00268	0.00268	0.00268	0.00268	0.00268	0.00268	0.00268	0.00268
Orange County Vector Control	0.00107	0.00107	0.00107	0.00107	0.00107	0.00107	0.00107	0.00107	0.00107	0.00107
Metropolitan Water District	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
<b>Total Direct Rate</b>	<b>\$ 1.08875</b>	<b>\$ 1.09052</b>	<b>\$ 1.08977</b>	<b>\$ 1.09123</b>	<b>\$ 1.09030</b>	<b>\$ 1.09088</b>	<b>\$ 1.08852</b>	<b>\$ 1.08858</b>	<b>\$ 1.08885</b>	<b>\$ 1.08930</b>

<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

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 TEN YEARS AGO**

Taxpayer	Fiscal Year 2018-19			Fiscal Year 2009-10		
	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	\$ 234,035,880	1	2.24%	\$ 202,728,172	1	2.85%
Olen Pointe Brea LLC	157,522,764	2	1.51%	99,025,056	5	1.39%
CRE Brea Valencia LLC	116,189,268	3	1.11%			
RAR2 200 North Puente LLC	113,816,322	4	1.09%	154,770,394	2	2.18%
Kraemer Acquisitions Ptrs Own	109,305,331	5	1.05%			
FW CA-Brea Marketplace LLC	107,280,105	6	1.03%	74,455,089	7	1.05%
Brea Union Plaza II LLC	81,307,953	7	0.78%			
Sarah L Wilcox Trust	62,500,000	8	0.60%			
ICE Holdings LLC	56,232,798	9	0.54%	49,297,126	10	0.69%
LIT Industrial LP	54,793,610	10	0.52%			
Acquiport Brea LP				123,988,272	3	1.74%
Beckman Coulter Inc.				101,195,661	4	1.42%
La Floresta				90,202,672	6	1.27%
Brea-Olinda School				73,286,051	8	1.03%
Abbey-III Brea				63,645,980	9	0.89%
	<u>\$ 1,092,984,031</u>		<u>10.47%</u>	<u>\$ 1,032,594,473</u>		<u>14.51%</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
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	98.22	140,765	13,314,758	99.27
2015	14,720,458	14,481,121	98.37	145,952	14,627,073	99.37
2016	16,669,635	16,489,408	98.92	166,642	16,656,050	99.92
2017	17,274,771	16,771,004	97.08	172,238	16,943,242	98.08
2018	19,516,778	19,193,847	98.35	163,773	19,357,620	99.18
2019	20,815,715	20,526,862	98.61	140,418	20,667,280	99.29

<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

TAXABLE SALES BY CATEGORY  
LAST TEN FISCAL YEARS

Category	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Department Stores	\$ 2,950,535	\$ 3,037,419	\$ 3,158,876	\$ 3,060,495	\$ 3,000,876	\$ 3,020,454	\$ 2,959,079	\$ 2,827,804	\$ 2,576,479	\$ 2,496,605
Restaurant	1,566,835	1,679,527	1,902,210	2,004,400	2,082,644	2,159,263	2,258,542	2,305,596	2,512,626	2,441,525
Light Industry	1,497,016	1,854,804	1,713,504	1,759,297	2,142,298	2,049,527	2,171,917	2,158,761	2,000,878	2,162,541
Building Materials-Wholesale	1,061,908	1,348,297	1,346,742	1,622,498	1,676,631	1,799,592	2,051,748	2,116,119	2,071,993	2,251,101
Apparel Stores	1,443,568	1,581,487	1,661,679	1,755,021	1,697,734	1,732,123	1,696,435	1,676,921	1,589,063	1,608,941
Miscellaneous Retail	1,287,074	1,372,512	1,560,446	1,600,599	1,707,983	1,779,009	1,652,697	1,558,413	1,575,008	1,430,115
Furniture/Appliance	558,615	683,424	764,254	708,157	686,308	801,114	763,158	810,168	976,083	1,071,240
Service Stations	649,050	917,704	998,449	991,760	1,001,724	844,593	712,761	674,913	705,984	740,148
Food Markets	269,150	263,462	271,680	284,288	358,917	358,917	469,420	488,165	437,616	421,421
Building Materials-Retail	328,472	366,253	345,832	450,631	450,013	446,278	470,340	472,178	500,971	430,202
Heavy Industry	309,395	391,235	369,982	498,859	346,253	356,465	408,035	359,099	674,914	745,514
Auto Sales-New	769	160	247	262	330,614	315,306	288,732	441,956	534,567	2,522,614
Other	1,925,965	2,135,394	2,084,482	1,798,200	1,774,919	1,805,690	1,922,933	1,927,869	1,680,294	1,800,006
<b>Total</b>	<b>\$ 13,838,352</b>	<b>\$ 15,631,678</b>	<b>\$ 16,178,383</b>	<b>\$ 16,534,467</b>	<b>\$ 17,256,914</b>	<b>\$ 17,468,331</b>	<b>\$ 17,825,797</b>	<b>\$ 17,817,962</b>	<b>\$ 17,836,476</b>	<b>\$ 20,121,973</b>

Note: Totals do not include portion of State and County pool as well as the impact of the State Triple Flip.

Source: MuniServices



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>4,5</sup>	Lease Revenue Bonds <sup>5</sup>	Capital Leases <sup>2,7</sup>	Total Governmental Activities	Water Revenue Bonds <sup>1,3,6</sup>	Total	Income <sup>8</sup>			
2010	178,909,196	16,485,000	6,716,146	202,110,342	38,095,000	240,205,342	11.46%	5,949		
2011	197,967,628	15,360,000	6,106,031	219,433,659	37,760,000	257,193,659	13.10%	6,419		
2012	-	2,760,000	5,161,902	7,921,902	37,265,000	45,186,902	2.21%	1,104		
2013	-	2,760,000	4,659,564	7,419,564	36,325,000	43,744,564	2.10%	1,057		
2014	-	2,760,000	4,169,409	6,929,409	35,350,000	42,279,409	1.83%	997		
2015	-	2,760,000	3,652,690	6,412,690	52,890,000	59,302,690	2.48%	1,369		
2016	-	2,760,000	4,833,071	7,593,071	53,325,495	60,918,566	2.41%	1,394		
2017	-	2,760,000	4,261,876	7,021,876	50,150,000	57,171,876	2.26%	1,293		
2018	-	2,760,000	3,658,172	6,418,172	49,110,000	55,528,172	2.20%	1,237		
2019	-	2,760,000	3,192,714	5,952,714	48,010,000	53,962,714	2.14%	1,183		

<sup>1</sup> For the fiscal year ended June 30, 2009, the Brea Public Financing Authority issued \$12,855,000 in water revenue refunding bonds and \$12,945,000 in new money bonds.

<sup>2</sup> For the fiscal year ended June 30, 2010, the City of Brea entered into a lease-purchase agreement for \$4,580,000.

<sup>3</sup> For the fiscal year ended June 30, 2010, the Brea Public Financing Authority issued over \$12 million of water revenue bonds.

<sup>4</sup> For the fiscal year ended June 30, 2011, the Brea Redevelopment Agency issued over \$29 million of tax allocation bonds.

<sup>5</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>6</sup> For the fiscal year ended June 30, 2015, the Brea Community Benefit Financing Authority issued over \$18 million of water revenue bonds.

<sup>7</sup> For the fiscal year ended June 30, 2016, the City of Brea entered into a lease purchase agreement for \$1,952,104.

<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				
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
2015	-	2,760,000	2,760,000	264,636	2,495,364	0.03%	58
2016	-	2,760,000	2,760,000	269,453	2,490,547	0.03%	57
2017	-	2,760,000	2,760,000	265,707	2,494,293	0.03%	57
2018	-	2,760,000	2,760,000	265,506	2,494,494	0.03%	56
2019	-	2,760,000	2,760,000	270,863	2,489,137	0.02%	55

<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, 2019**

City Assessed Valuation:

	<b>Estimated Percentage Applicable <sup>1</sup></b>	<b>Debt Outstanding</b>	<b>Estimated Share of Overlapping Debt</b>
Overlapping Debt Repaid with Property Taxes:			
Metropolitan Water District	0.352	\$48,050,000	\$ 169,136
North Orange County Joint Community College District	7.817	320,459,001	25,050,280
Brea-Olinda Unified School District	96.68	11,109,029	10,740,209
Placentia-Yorba Linda Unified School District	1.256	228,032,982	2,864,094
Rowland Unified School District	0.144	232,818,478	335,259
Fullerton Joint Union High School District	1.925	183,465,000	3,531,701
Fullerton School District	0.007	24,125,458	1,689
La Habra City School District	11.050	24,751,493	2,735,040
City of Brea Community Facilities Districts	100	12,400,000	12,400,000
Brea-Olinda Unified School District Community Facilities District No. 95-1	100	5,765,000	5,765,000
Total overlapping debt repaid with property taxes		<u>1,090,976,441</u>	<u>63,592,408</u>
Overlapping Other Debt:			
Orange County General Fund Obligation	1.738	\$388,720,000	\$ 6,755,954
Orange County Pension Obligations Bonds	1.738	407,629,239	7,084,596
Orange County Board of Education Certificates of Participation	1.738	13,490,000	234,456
North Orange Regional Occupation Program Certificates of Participation	8.037	9,290,000	746,637
Brea-Olinda Unified School District Certificates of Participation	96.680	14,830,000	14,337,644
Placentia-Yorba Linda Unified School District Certificates of Participation	1.256	92,535,355	1,162,244
Rowland Unified School District Certificates of Participation	0.144	5,000,000	7,200
Fullerton Joint Union High School District Certificates of Participation	1.925	18,650,000	359,013
Fullerton School District Certificates of Participation	0.007	4,445,000	311
Total overlapping general fund debt			<u>30,688,055</u> <sup>2</sup>
Total overlapping debt			\$ 94,280,463
City of Brea Direct Debt:			
Lease Revenue Bonds			\$ 2,760,000
Capital Leases			<u>3,192,714</u>
Total City of Brea Direct Debt			\$ 5,952,714
Combined total direct and overlapping debt			\$ 100,233,177 <sup>3</sup>

<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 TEN FISCAL YEARS

	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Assessed value	\$ 6,979,282,412	\$ 6,979,282,412	\$ 7,328,303,022	\$ 7,556,214,577	\$ 7,815,157,069	\$ 8,026,908,085	\$ 8,532,576,967	\$ 9,116,002,399	\$ 9,660,027,845	\$ 10,286,668,026
Debt limit: 3.75% of assessed value	261,723,090	261,723,090	274,811,363	283,358,047	293,068,390	301,009,053	319,971,636	341,850,090	362,251,044	385,750,051
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										\$ 385,750,051

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

PLEGGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Tax Allocation Bonds				Water Revenue Bonds					
	Increment <sup>5,6</sup>	Tax	Debt Service		Less: Operating Expenses <sup>2</sup>	Available Revenue	Debt Service		Coverage <sup>4</sup>	
			Principal <sup>6</sup>	Interest <sup>6</sup>			Principal <sup>3</sup>	Interest <sup>4</sup>		
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
2015	-	-	-	-	17,803,755	10,685,147	7,118,608	1,015,000	2,351,374	2.11
2016	-	-	-	-	16,489,077	9,162,038	7,327,039	1,315,000	2,348,737	2.00
2017	-	-	-	-	19,194,816	9,865,661	9,329,155	1,425,000	2,381,873	2.45
2018	-	-	-	-	22,692,925	11,972,562	10,720,363	1,040,000	2,361,556	3.15
2019	-	-	-	-	21,492,916	12,636,817	8,856,099	1,100,000	2,286,421	2.62

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

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

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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<b>Fiscal Year Ended June 30</b>	<b>Population <sup>1</sup></b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income <sup>2</sup></b>	<b>Unemployment Rate <sup>3</sup></b>
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%
2015	43,328	2,387,199	55,096	3.9%
2016	43,710	2,524,209	57,749	3.4%
2017	44,214	2,744,407	62,071	3.1%
2018	44,890	2,935,806	65,400	3.0%
2019	45,606	3,159,036	69,268	2.8%

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

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

**CITY OF BREA**

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

<b>Employer</b>	<b>Fiscal Year 2018-19</b>			<b>Fiscal Year 2009-10</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percent of Total City Employment <sup>1</sup></b>	<b>Employees</b>	<b>Rank</b>	<b>Percent of Total City Employment</b>
Bank of America <sup>2</sup>	3,000	1	13.16%	3,000	1	14.22%
Mercury Insurance Group	1,440	2	6.32%	1,800	2	8.53%
Albertson's, Inc.	1,321	3	5.79%	900	4	4.27%
Beckman Coulter, Inc.	906	4	3.97%	1,000	3	4.74%
Brea Olinda Unified School District	713	5	3.13%	500	6	2.37%
Kirkhill - TA Company	638	6	2.80%	650	5	3.08%
Nationwide formerly Veterinary Pet Ins.	460	7	2.02%	463	8	2.19%
Bristol Industries	435	8	1.91%			
Zodiac Inflight Innovations	390	9	1.71%			
Peterson Brothers Construction	375	10	1.64%			
Harte-Hanks Communications				500	7	2.37%
ITT Hartford Insurance Group				450	9	2.13%
Avery Dennison Administrative				392	10	1.86%
<b>Total</b>	<b>9,678</b>		<b>42.45%</b>	<b>9,655</b>		<b>45.76%</b>

<sup>1</sup> Based upon the Employment Development Department's Labor Force estimate of 23,000 residents in 2018 out of a total population of 44,890.

<sup>2</sup> Unable to confirm, used last year number.

Source: City of Brea Business License Division and calls to businesses.

**CITY OF BREa**

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government	56	57	57	59	58	59	60	59	54	50
Public Safety	211	213	213	212	167	158	158	159	157	156
Development Services	29	-	-	-	-	-	-	-	-	-
Community Development <sup>1</sup>	-	20	20	20	21	21	21	23	22	19
Community Services	48	39	48	52	52	52	55	56	54	55
Maintenance Services	32	-	-	-	-	-	-	-	-	-
Public Works <sup>2</sup>	-	37	39	42	41	42	45	47	49	47
Water Utility	16	16	14	15	17	17	17	15	16	18
Sewer Utility	6	6	6	6	6	6	6	6	6	5
Sanitation	2	2	2	2	2	2	2	4	3	2
External Information Technology	9	9	9	9	10	10	10	12	11	8
<b>Total</b>	<b>409</b>	<b>399</b>	<b>408</b>	<b>417</b>	<b>373</b>	<b>367</b>	<b>374</b>	<b>381</b>	<b>372</b>	<b>360</b>

<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.

Source: City of Brea Adopted Budget and Supplements to the Adopted Budget.



**CITY OF BREA**

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Function:										
Police										
Calls dispatched	22,231	23,071	24,650	22,810	22,412	23,026	24,359	26,027	25,185	28,510
Crime reports	5,475	4,726	4,491	4,450	4,207	4,490	4,798	4,881	4,888	4,798
Moving citations	9,192	9,024	8,215	5,573	3,272	3,426	2,483	2,409	2,799	2,801
Parking citations	20,639	15,469	16,034	10,651	11,178	10,057	10,528	10,467	10,591	9,331
Water										
Number of customer accounts	11,953	11,878	12,095	12,258	12,637	12,951	13,153	13,224	13,338	13,428
Average daily consumption (millions of gallons)	8.83	8.53	9.39	9.77	10.30	9.54	7.86	7.71	8.78	8.20
Water samples taken	624	627	672	840	624	686	732	780	824	783
Development Services <sup>1</sup>										
Permits issued	979	-	-	-	-	-	-	-	-	-
Inspections conducted	4,628	-	-	-	-	-	-	-	-	-
Traffic signals maintained <sup>2</sup>	51	-	-	-	-	-	-	-	-	-
Infrastructure improv. projects administered	13	-	-	-	-	-	-	-	-	-
Community Development										
Permits issued	-	1,097	1,180	1,404	1,418	1,561	2,072	2,170	2,045	2,002
Inspections conducted	-	4,316	5,030	5,604	7,955	7,997	6,903	6,833	7,611	8,697
Maintenance Services <sup>1</sup>										
Square feet of graffiti removal	15,048	-	-	-	-	-	-	-	-	-
Streetsweeping miles	20,777	-	-	-	-	-	-	-	-	-
Trees pruned per year	2,906	-	-	-	-	-	-	-	-	-
Public Works										
Square feet of graffiti removal	-	12,528	9,576	10,944	7,713	4,545	3,609	6,950	7,074	5,310
Streetsweeping miles	-	20,609	18,398	19,365	19,494	20,128	20,333	21,060	21,476	17,300
Trees pruned per year	-	2,702	2,806	3,136	2,069	3,408	3,275	2,830	2,158	2,745
Traffic signals maintained <sup>2</sup>	-	51	52	52	52	52	53	56	56	53
Infrastructure improv. projects administered	-	9	17	6	9	10	8	8	6	8
Culture and Recreation										
Gallery promotions and mailings	21,647	26,903	22,934	18,500	18,500	18,500	14,800	14,800	14,800	14,800
Gallery attendance	6,934	7,081	11,693	9,596	10,674	10,042	12,807	10,175	7,700	7,000
Theatre annual program brochures mailed	35,053	37,848	37,843	32,359	44,517	26,258	34,670	31,853	10,200	21,906
Theatre attendance	13,964	11,983	12,829	12,516	12,889	12,926	50,476	47,832	41,499	34,803
General government										
Accounts payable warrants issued	6,233	6,043	8,182	7,872	7,829	8,599	7,569	7,154	6,980	12,026

<sup>1</sup> Beginning in fiscal year 2010-11, function classified as Public Works or Community Development.

<sup>2</sup> Doesn't include five flashing beacons the City maintains

Source: City of Brea

**CITY OF BREAA**

**CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	119	119	119	119	120	120	121	121	121	126
Street lights	3,388	3,388	3,388	3,388	3,401	3,401	3,452	3,452	3,452	3,452
Water										
Number of water wells	1	1	1	1	1	1	1	1	1	1
Number of reservoirs	6	6	6	6	7	7	7	7	7	7
Miles of lines & mains	167	167	167	167	167	197	197	212	212	212
Sewer										
Miles of sanitary sewers	110	110	110	110	111	111	112	112	112	114
Miles of storm drains	25	25	25	25	26	26	27	27	27	27
Culture and Recreation										
Number of parks	11	11	11	12	13	13	13	13	14	14
Number of other facilities	7	7	7	7	7	7	7	7	7	7

Source: City of Brea