



City of Brea, California

FISCAL YEAR ENDED
JUNE 30, 2021



Annual Comprehensive Financial Report

#WeAreInThisTogether #COVID19

City Council



Steven Vargas
Mayor



Cecilia Hupp
Mayor Pro Tem



Christine Marick
Council Member



Glenn Parker
Council Member



Marty Simonoff
Council Member

Elected Official

Treasurer Denise Eby

Administrative Personnel

City Manager	William Gallardo
Assistant City Manager/ Community Services Director	Chris Emeterio
Administrative Services Director	Cindy Russell
Chief of Police	Adam Hawley
Community Development Director	Tracy Steinkruger
City Clerk	Lillian Harris-Neal
Fire Chief	Adam Loeser
Public Works Director	Tony Olmos
City Attorney	Terence Boga

CITY OF BREA, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Prepared by:

Administrative Services Department

Cindy Russell

Administrative Services Director

Monica Lo

Financial Services Manager

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INTRODUCTORY SECTION

Letter of Transmittal..... v
 Organizational Chart..... xv
 Certificate of Achievement for Excellence in Financial Reporting (GFOA)..... xvi

FINANCIAL SECTION

Independent Auditor’s Report 1
 Management’s Discussion and Analysis 5
 Basic Financial Statements
 Government Wide Financial Statements
 Statement of Net Position 21
 Statement of Activities 24
 Government Fund Financial Statements
 Balance Sheet 28
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position..... 31
 Statement of Revenues, Expenditures and Changes in Fund Balances..... 32
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities..... 34
 Proprietary Fund Financial Statements
 Statement of Net Position – Proprietary Funds 36
 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds 38
 Statement of Cash Flows – Proprietary Funds 40
 Fiduciary Fund Financial Statements
 Statement of Fiduciary Net Position – Fiduciary Funds 46
 Statement of Changes in Fiduciary Net Position – Fiduciary Funds 47
 Notes to Financial Statements 49
 Required Supplementary Information
 Schedule of Changes in the Net Pension Liability and Related Ratios – Miscellaneous Plan..... 103
 Schedule of Changes in the Net Pension Liability and Related Ratios – Safety Plan..... 105
 Schedule of Plan Contributions – Miscellaneous and Safety Plans 107
 Schedule of Changes in the Total OPEB Liability and Related Ratios 109
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –
 General Fund 110
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –
 Housing Successor Fund 111
 Notes to Required Supplementary Information..... 112

Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –
 Capital Improvement Fund..... 115

Non-Major Governmental Funds

Combining Balance Sheet 118
 Combining Statement of Revenues, Expenditure, and Changes in Fund Balances..... 122

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Gas Tax Special Revenue Fund 126
 Narcotics Enforcement Asset Seizure Special Revenue Fund 127
 Air Quality Improvement Special Revenue Fund..... 128
 Park Development Special Revenue Fund..... 129
 Measure M Special Revenue Fund 130
 Affordable Housing Trust Special Revenue Fund 131
 Community Development Block Grant Special Revenue Fund 132
 Blackstone CFD Special Revenue Fund..... 133
 La Floresta CFD Special Revenue Fund 134
 Taylor-Morrison CFD Special Revenue Fund 135
 Central Park Village CFD Special Revenue Fund 136
 Development Fund Special Revenue Fund..... 137
 Capital and Mitigation Improvement Capital Projects Fund 138
 Storm Drain Capital Projects Fund 139

Non-Major Enterprise Funds

Combining Statement of Net Position..... 141
 Combining Statement of Revenues, Expenses and Changes in Fund Net Position..... 142
 Combining Statement of Cash Flows..... 143

Internal Service Funds

Combining Statement of Net Position..... 145
 Combining Statement of Revenues, Expenditures and Changes in Net Position..... 146
 Combining Statement of Cash Flows..... 147

Custodial Funds

Combining Statement of Changes in Fiduciary Net Position..... 151

STATISTICAL SECTION

Financial Trends:

Net Position by Component, Last Ten Fiscal Years	156
Changes in Net Position, Last Ten Fiscal Years.....	157
Fund Balances - Governmental Funds, Last Ten Fiscal Years	159
Changes in Fund Balances - Governmental Funds, Last Ten Fiscal Years.....	160

Revenue Capacity:

Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years	161
Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	162
Principal Property Tax Rates, Current Year and Ten Years Ago	163
Property Tax Levies and Collections, Last Ten Fiscal Years	164
Taxable Sales by Category, Last Ten Fiscal Years	165

Debt Capacity:

Ratio of Outstanding Debt by Type, Last Ten Fiscal Years	166
Ratio of Net General Bonded Debt Outstanding, Last Ten Fiscal Years	167
Direct and Overlapping Governmental Activities Debt.....	168
Legal Debt Margin, Last Ten Fiscal Years.....	169
Pledged Revenue Coverage, Last Ten Fiscal Years	170

Demographic and Economic Information:

Demographic and Economic Statistics, Last Ten Fiscal Years.....	171
Principal Employers, Current Year and Ten Years Ago.....	172

Operating Information:

Full-time City Equivalent City Employees by Function, Last Ten Fiscal Years	173
Operating Indicators, Last Ten Fiscal Years	174
Capital Asset Statistics, Last Ten Fiscal Years	175

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Introductory Section

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December 20, 2021

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

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Brea, a California City, for the Fiscal Year ended June 30, 2021. 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 of Brea. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Brea has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City'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.

Eide Bailly, 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, 2021, 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, 2021, 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, 2021 received in excess of \$750,000 in grant revenues. For the FY 2020-21, the City received \$5.9 million in federal awards. 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 45,000 residents and hosts a daytime working population of more than 125,000.

The City is a major retail center featuring the county's third 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, Nationwide 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 over 184 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

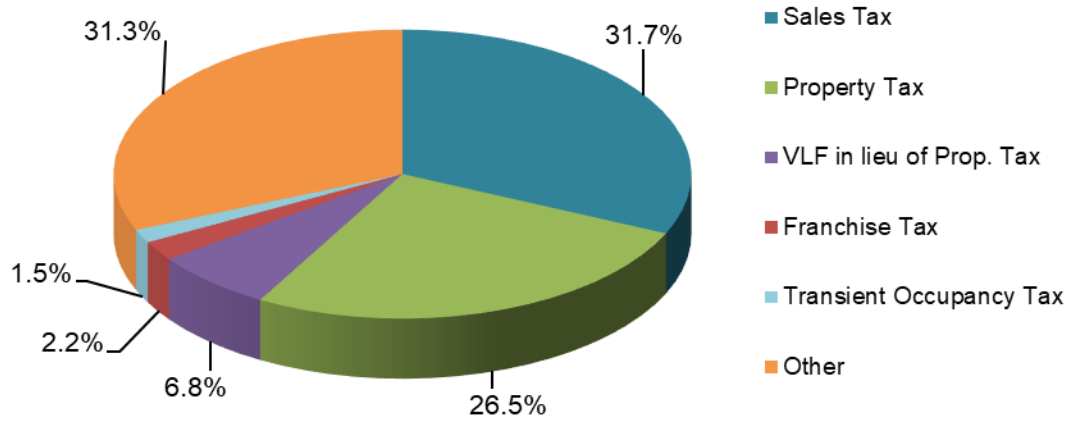
Brea’s physical setting encompasses about 7,955 acres or 12.43 square miles of land. The City’s land use is distributed as follows:

Land Use	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 Hillsides Areas and Vacant Lands	21
Agriculture	1
Vacant	2
Other (streets)	<u>15</u>
Total	100%

Source: City of Brea General Plan (2003, and subsequent updates 2008, 2014)

The current land use mix produces General Fund revenues of approximately \$69.3 million. Sales taxes, property taxes and vehicle license fees (VLF) in lieu of property taxes and franchise taxes account for the top four revenue sources. These revenue sources account for 67.2% of the total amount of General Fund revenues. The remaining revenues account for 32.8% of the total and are represented by a broad range of sources.

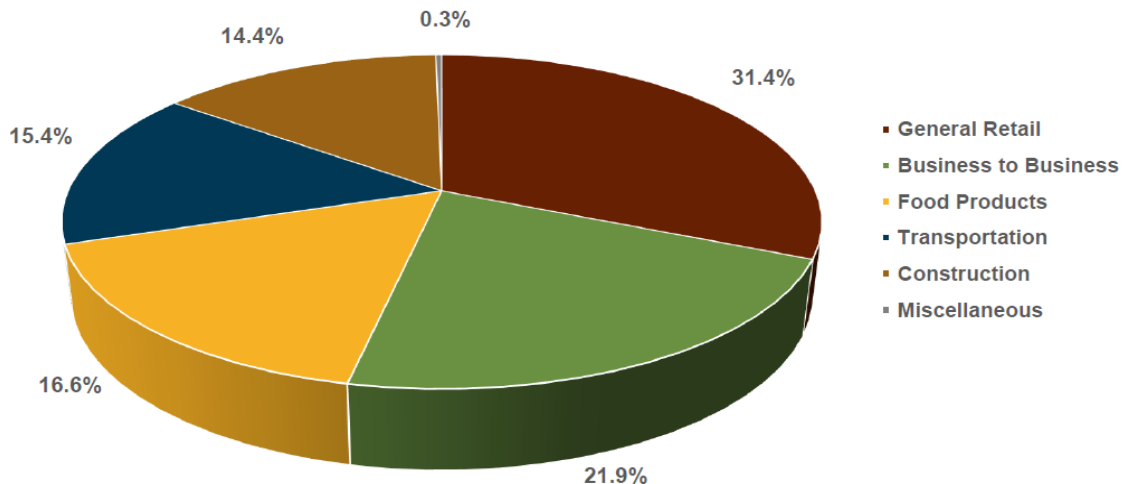
General Fund Revenues by Revenue Source Fiscal Year Ended June 30, 2021



Sales Tax

Sales tax represents the single largest source of General Fund revenue at \$21.5 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 31.4% 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 business to business. 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, 2021



Property Taxes

Brea is a very diverse community as previously indicated in the land use chart. General Fund property taxes represent \$18.3 million or 26.5% of General Fund revenues. Assessed valuation of all property (including the former Brea Redevelopment Agency) in Brea is \$11.3 billion, an increase of 4.46% over the prior fiscal year. The valuation is split between residential at 64%, commercial/industrial at 30%, and the remaining 6% for other miscellaneous uses. Of the City's 17,154 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 an increase in housing prices. The median price of a single-family home increased to \$879,000 from \$725,000 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 at that time was 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 31st and May 1st 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 34.7% of the \$2.4 million in annual franchise tax revenue. The remaining 65.3% of this revenue includes franchise fees for oil pipelines, cable television, and other non-city utilities.

Franchise Taxes Fiscal Year Ended June 30, 2021

	<u>Annual Revenue</u>	<u>Percent of Total</u>
Public Utilities	\$ 824,383	34.7%
All Others	<u>1,548,364</u>	<u>65.3%</u>
Totals	<u>\$ 2,372,747</u>	<u>100.0%</u>

ECONOMIC OUTLOOK & IMPACT OF COVID-19 PANDEMIC

In December 2019, an outbreak of respiratory illness due to a novel coronavirus (a disease now known as COVID-19) was first identified in Wuhan City, Hubei Province, China, and has spread outside of China, including the United States. The outbreak has resulted in a number of governmental responses including been declared a worldwide pandemic by the World Health Organization and been declared a national State of Emergency by the President of the United States.

On March 4, 2020, Gavin Newsom, the Governor of the State of California, proclaimed a State of Emergency to exist in California due to the spread of COVID-19. In response, the City of Brea declared the existence of a local emergency within the City of Brea on March 16, 2020. COVID-19 restrictions were put in place by the State of California and the County of Orange which included mandated and voluntary shutdowns of businesses, travel, public gatherings and large group events, and orders for residents to stay at home.

The COVID-19 pandemic has drastically changed the landscape of our community and maintaining service levels to the community despite the rapid loss of revenues has been challenging this past year and will continue as we enter a post-pandemic economy. Fortunately, through the guidance of the City Council, the organization has positioned itself with healthy General Fund reserves well above the current policy level of 25%. The excess reserves above the 25% policy limit combined with the federal assistance through the ARPA will help the organization maintain current service levels as the organization regains momentum in the coming fiscal years. This will avoid making severe service reductions until the organization has an opportunity to better understand the long-term effects of the pandemic. Staff will also continue to closely monitor actual versus projected revenues and opportunities for vacancy savings that will assist in providing more firm estimates as we navigate the new fiscal year.

Fortunately, 2020-21 saw the US Food and Drug Administration authorize the widespread use of the COVID-19 vaccine, which eventually resulted in the lifting of many restrictions and the City saw its revenues return to pre-pandemic levels, and in some cases, revenues even exceeded these levels. While unemployment levels remain slightly higher than they were in the post-great recession era, the overall economy is strong and City revenues are currently projected to grow for at least the next couple of years.

Overall, the Fiscal Year 2021-22 budget is balanced due to a solid foundation of fiscally conservative practices for the City's General Fund to realize a savings reserve transfer of \$582,965. Total General Fund revenues projected for Fiscal Year 2021-22 as compared to the prior year are projected to increase by 7.2%. This is due to a projected increase of 14.24% in sales taxes based upon the assumption that the economy fully reopens and the business community starts to regain momentum. Staff is closely monitoring revenues through the pandemic and making necessary adjustments to maintain budget without the additional use of excess reserves.

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.

Along with the COVID-19 pandemic, 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 2021-22 and beyond to address pension liability.
- The continued increase in online versus brick and mortar retail sales impacting sales tax revenues.
- Cost-of-living increases

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 2021-22, 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 2020-21 General Fund increased by 4.46% from the prior year.

Development within Brea continues to remain active during the pandemic. Additional units are currently in construction at Central Park Village. Infill development is currently under construction at the Brea Place project which is approved and expected to come online in early 2022. This project includes 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 application has been approved at 94 units. Amazon has acquired the building previously owned by Bank of America to potentially occupy the space. Bank of America has been one of Brea's biggest employers and will close its call center by July 2022.

At June 30, 2021, the unemployment rate in Brea was 6.5%. However, as of October 2021 the unemployment rate has decreased to 4.4% as compared to the Orange County unemployment rate of 4.0% according to the State Employment Development Department. The unemployment rate has dropped from a height of 14.90% in May 2020 due to the COVID-19 restrictions and economic shutdown which has heavily impacted the retail sector and the leisure and hospitality sector. The unemployment rate is expected to continue to decrease as distribution of the vaccine is expected to allow a gradual return of economic activity.

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 2020-21 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, 2021 was \$890,060.

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, 2021 was \$5,701,619.

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 from the General Fund was made during FY 2015-16. During FY 2018-19, the City's Enterprise Funds contributed an additional \$756,800 for a total contribution of \$6,756,800. The balance as of June 30, 2021 including interest earned to date was \$10,982,257.

MAJOR INITIATIVES

State Route 57/Lambert Road Interchange Improvements

Starting in August 2019, the City in conjunction with Caltrans began construction on 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 and Other Post-Employment Benefits

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, 2021, all employees continue to pay 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.

The City has negotiated to reduce its other post-employment benefit, which is the minimum Employer Contribution amount as prescribed by Government Code section 22892 of the Public Employees' Medical and Hospital Care Act (PEMHCA). This provides that the employer contribution would be adjusted annually to reflect any changes in the medical care component of the consumer price index.

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, 2020. This was the 31st 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 annual comprehensive 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 annual comprehensive 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 Annual Comprehensive Financial Report on a timely basis was made possible by the dedicated service of Monica Lo, Financial Services Manager, 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, Eide Bailly, 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,

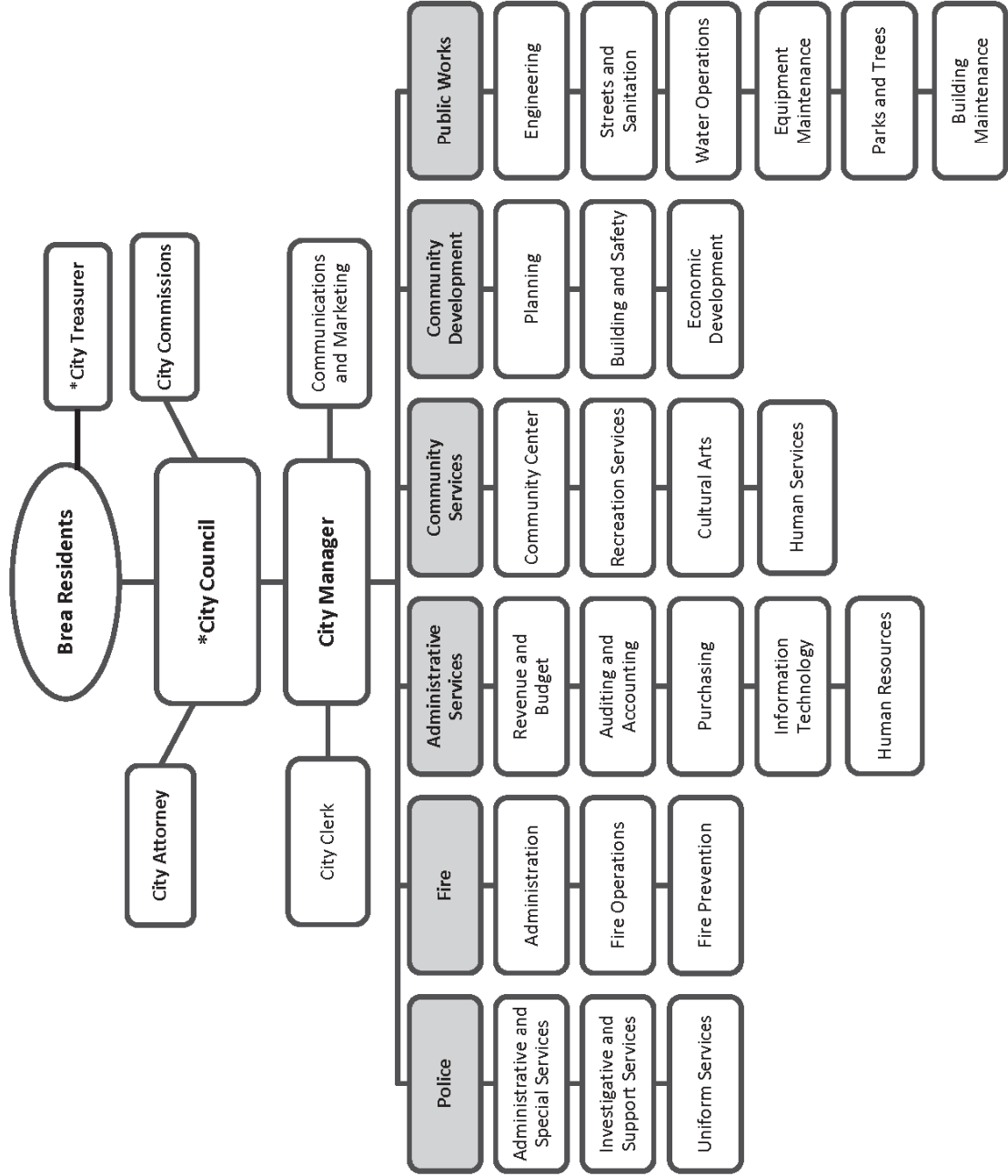


William Gallardo
City Manager



Cindy Russell
Administrative Services Director

CITY ORGANIZATION CHART



*Elected



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Brea
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

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, 2021, 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, 2021, 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.

Emphasis of Matter

Change in Accounting Principles

As discussed in Note 1 and Note 17 to the financial statements, the City adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, effective July 1, 2020, which has resulted in a restatement to net position of the fiduciary funds as of July 1, 2020.

Change in accounting method

As discussed in Note 17 to the financial statements, the City has also made adjustments to beginning net position and fund balance to transfer assets and close out a fund. Additionally, the City changed the method by which it records receivables in the Successor Agency. Our opinions are not modified with respect to these matters.

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 notes, 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 December 20, 2021, 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
December 20, 2021

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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 Annual Comprehensive Financial Report (ACFR) presents management's discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2021. 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 \$290.2 million.
- The City's total net position increased overall by \$8.4 million, of which \$2.5 million is related to governmental activities, while \$5.9 million is related to business-type activities. The increase in net position of \$2.5 million is primarily related to the receipt of federal funds to offset the costs for governmental activities, as discussed further in this document. Of the \$5.9 million increase in business-type activities, \$4.1 million is related to the Water Utility fund revenues exceeding expenditures and \$1.3 million is related to Golf Course fund. Additional discussion is noted below.
- The City's non-current liabilities of \$220.1 million primarily includes \$138.3 million in net pension liabilities; \$30.3 million in other post-employment (OPEB) liabilities and \$51.5 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 \$337.1 million of the \$517.6 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 \$100 million, an increase of \$7.8 million, which included a restatement of beginning fund balance of \$5 million related to a change in the payment of property taxes collected by the County of Orange related to the former Redevelopment Agency. Of the total combined fund balance of \$100 million for governmental funds, \$57.4 million was restricted, \$1.4 million was committed, \$11.9 million was assigned and \$29.3 million was unassigned.

- The General Fund reported an increase of \$12.1 million, including a restatement of \$5 million in fund balance resulting in a total ending fund balance of \$54.1 million. In addition to the additional \$5 million increase in total revenues, there were expenditure savings of \$4 million from the uncertainties with COVID-19. Majority of the expenditure reductions were from general government, public safety, community services, public works and principal payments. Of the total ending fund balance, \$11.3 million was restricted, \$1.4 million was committed, \$11.9 million was assigned and \$29.4 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 inflows, liabilities (including long-term liabilities that may be paid over twenty or more years) and any deferred outflows of resources. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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 water utility, sewer utility, urban runoff, sanitation, information technology external support to public agencies and golf course activities. 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, information technology external support to public agencies and golf course activities) 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

The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole. Our analysis focuses on the net position (Table 1) and changes in net position and changes in net position (Table 2) of the City's governmental activities. The government-wide statements also include the City's water and sewer activities as business-type activities.

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, 2021, as shown in Table 1, was \$290.2 million, overall net position increases of \$13.4 million. Significant increase is due to the receipt of city's share of American Rescue Plan (ARPA) funds to assist in the economic recovery from COVID-19 of \$5.2 million and the city is also expected to receive an additional \$1.7 million from other governments in addition to the additional \$5 million that was received related to sales tax.

Table 1
Net Position
June 30, 2021
(in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 105,203	\$ 112,018	\$ 32,444	\$ 37,944	\$ 137,647	149,962
Capital assets	210,440	219,197	126,658	106,007	337,098	325,204
Noncurrent assets	27,068	7,667	15,769	15,480	42,837	23,147
Total assets	342,711	338,882	174,871	159,431	517,582	498,313
Deferred charge on refunding	-	-	2,250	1,150	2,250	1,150
Deferred pension/OPEB related items	20,505	16,235	1,783	1,421	22,288	17,656
Total Deferred Outflows of Resources	20,505	16,235	4,033	2,571	24,538	18,806
Noncurrent liabilities	158,348	149,165	61,747	61,539	220,095	210,704
Other liabilities	19,960	17,206	7,773	6,685	27,733	23,891
Total liabilities	178,308	166,371	69,520	68,224	247,828	234,595
Deferred pension/OPEB related items	2,680	4,292	1,435	1,404	4,115	5,696
Total Deferred Inflows of Resources	2,680	4,292	1,435	1,404	4,115	5,696
Net Investment in Capital Assets	207,379	215,840	82,854	61,114	290,233	276,954
Restricted	54,214	59,863	2,285	2,133	56,499	61,996
Unrestricted	(79,365)	(91,249)	22,810	29,127	(56,555)	(62,122)
Total net position	\$ 182,228	\$ 184,454	\$ 107,949	\$ 92,374	\$ 290,177	\$ 276,828

Net Investment of Capital Assets – The largest component of the \$517.6 million in total assets is the City's investment in capital assets (e.g., land, buildings, infrastructure, and equipment), representing \$337.1 million or 65.1% of total assets.

Noncurrent Liabilities – Of the \$220.1 million in long-term (non-current) liabilities, \$51.5 million represents outstanding bonded debt and capital leases; \$138.3 million represents net pension liability; and \$30.3 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. Please refer to Note 8 to the financial statements for additional information.

Restricted Net Position – The \$56.5 million in restricted net position was an overall decrease of \$5.5 million from the prior fiscal year. The decrease is primarily due to a \$3.1 million decrease in Governmental Activities due to developer contributions and grant reimbursements for capital projects. In addition, there was a decrease of \$1.1 million in non-major governmental funds from development for future projects.

The following table indicates the changes in net position for governmental and business-type activities:

Table 2
Changes in Net Position
Fiscal Year Ended June 30, 2021
(in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 4,418	\$ 7,682	\$ 35,302	\$ 28,633	\$ 39,720	\$ 36,315
Operating grants and contributions	12,230	6,814	23	11	12,253	6,825
Capital grants and contributions	3,239	5,720	-	-	3,239	5,720
General Revenues:						
Taxes:						
Property taxes	24,060	22,030	-	-	24,060	22,030
Sales taxes	21,479	21,496	-	-	21,479	21,496
Transient occupancy taxes	1,050	1,353	-	-	1,050	1,353
Franchise taxes	2,373	2,486	-	-	2,373	2,486
Business license taxes	995	1,037	-	-	995	1,037
Other taxes	442	430	-	-	442	430
Motor vehicle in lieu	107	78	-	-	107	78
Use of money and property	3,468	4,088	121	1,492	3,589	5,580
Contributions	-	9,000	-	-	-	9,000
Other	4,253	4,243	83	-	4,336	4,243
Gain on sale of capital asset	168	69	68	19	236	88
Total Revenues	78,282	86,526	35,597	30,155	113,879	116,681
Expenses:						
General government	7,987	8,739	-	-	7,987	8,739
Public safety	42,672	45,286	-	-	42,672	45,286
Community development	3,369	3,905	-	-	3,369	3,905
Community services	7,202	9,077	-	-	7,202	9,077
Public works	14,391	12,624	-	-	14,391	12,624
Interest on long-term debt	161	349	-	-	161	349
Urban runoff	-	-	389	357	389	357
Water utility	-	-	19,767	17,198	19,767	17,198
Sewer utility	-	-	1,997	2,086	1,997	2,086
Sanitation	-	-	3,667	3,639	3,667	3,639
Information Technology External Support	-	-	1,025	1,599	1,025	1,599
Golf Course	-	-	2,884	-	2,884	-
Total Expenses	75,782	79,980	29,729	24,879	105,511	104,859
Change in net position before transfers	2,500	6,546	5,868	5,276	8,368	11,822
Transfers	(5)	252	5	(252)	-	-
Change in net position	2,495	6,798	5,873	5,024	8,368	11,822
Net position at beginning of year, as restated	179,733	177,656	102,076	87,350	281,809	265,006
Net position at end of year	\$ 182,228	\$ 184,454	\$ 107,949	\$ 92,374	\$ 290,177	\$ 276,828

The City's total revenues for the fiscal year ended June 30, 2021 were \$113.9 million. Of the City's total revenues, \$39.7 million (34.9%) were derived from fees charged for services, and \$50.5 million (44.4%) were received in taxes.

The City's total expenses were \$105.5 million, comprising \$42.7 million (40.4%) for public safety mainly resulting from employee service costs, \$29.7 million (28.2%) for business-type activities and \$14.4 million (13.6%) for public works mainly from parks and street improvement projects.

Property tax revenues for Fiscal Year 2020-21 increased by \$2.0 million when compared to Fiscal Year 2019-20. An increase of \$1.1 million or 7.9% in property tax revenues is primarily due to the increase in sale value of residential and commercial properties. Operating grants increased by \$5.4 million when compared to Fiscal Year 2019-20, primarily due to the receipt of federal funding in response to the COVID-19 pandemic.

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, information technology external support to public agencies and golf course activities).

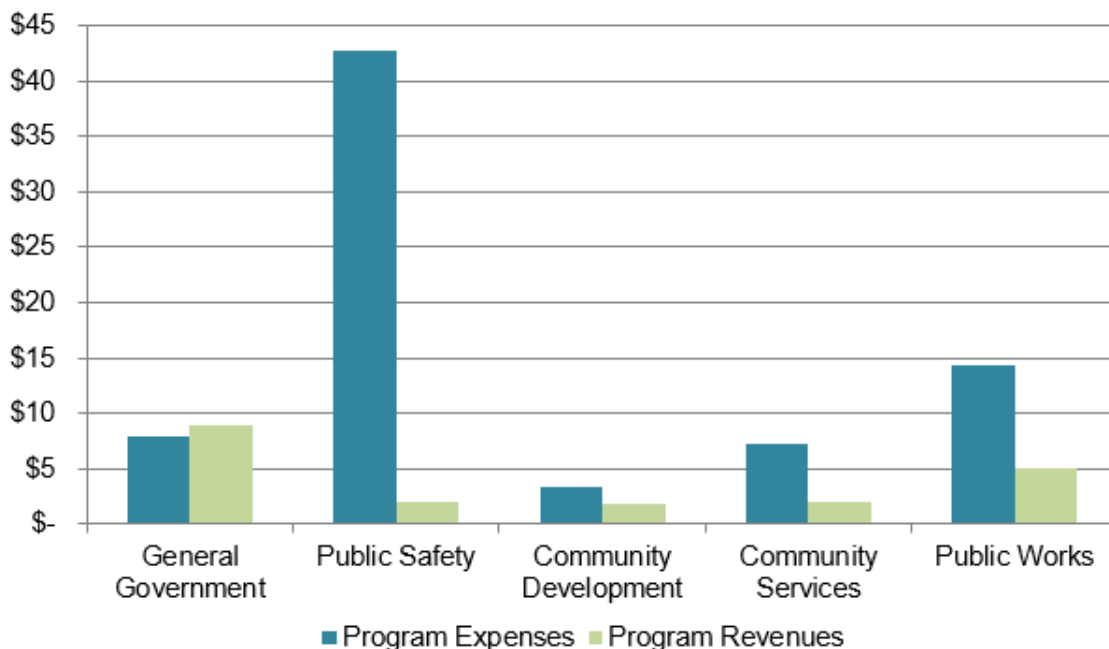
Governmental Activities – Table 3 presents the cost of each of the City's five largest programs – general government, public safety, community development, community services and public works. Each programs' *net* cost (total cost less revenues generated by the activities) is also presented below. The net cost shows the extent to which the City's general taxes support each of the City's programs.

Table 3
Governmental Activities
(in thousands)

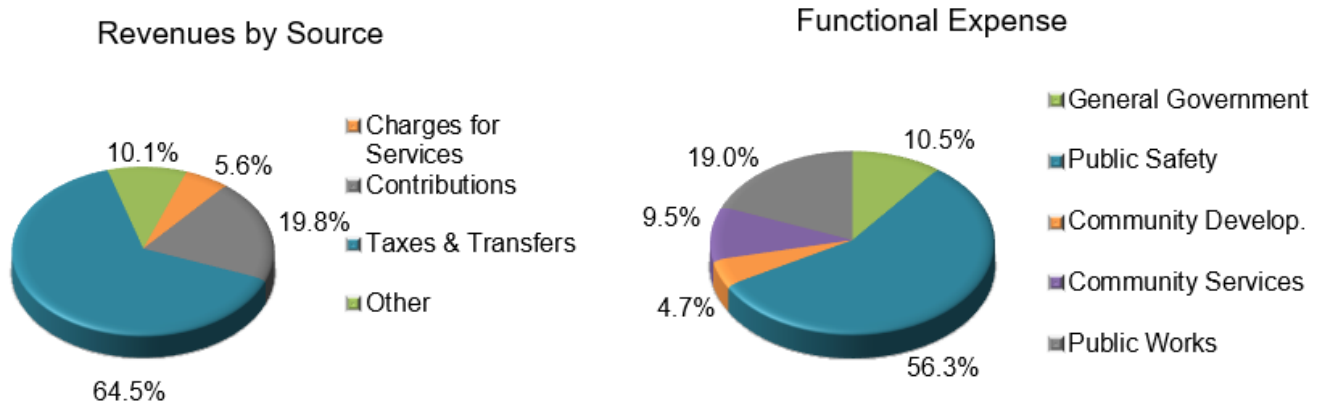
	Program Expenses		Net Cost (revenue) of Services	
	2021	2020	2021	2020
General government	7,987	\$ 8,739	\$ (1,047)	\$ 3,852
Public safety	42,672	45,286	40,724	43,038
Community development	3,369	3,905	1,575	1,066
Community services	7,202	9,077	5,173	7,075
Public works	14,391	12,624	9,308	4,382
Totals	\$75,621	\$79,631	\$ 55,733	\$ 59,413

- With the exception of the current year for general government, the net cost of services indicates that the overall cost of government is more than the revenues generated to support it. This is due to the additional \$5.6 million in operating grants and contribution to help offset the costs. See the Statement of Activities for further detail on program revenues and general revenues.
- Overall program expenses have decreased from prior year by \$4.4 million (5.5%) and a decrease in net cost of services by \$3.7 million (6.2%) due to uncertainties with COVID-19. Significant changes in public works' program expenses in the current fiscal year were due to increased cost to provide street and road repairs.

Table 4
Program Expenses and Revenues - Governmental Activities
Fiscal Year Ended June 30, 2021
(in millions)



**Table 5
Governmental Activities
Fiscal Year Ended June 30, 2021**



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

Revenues

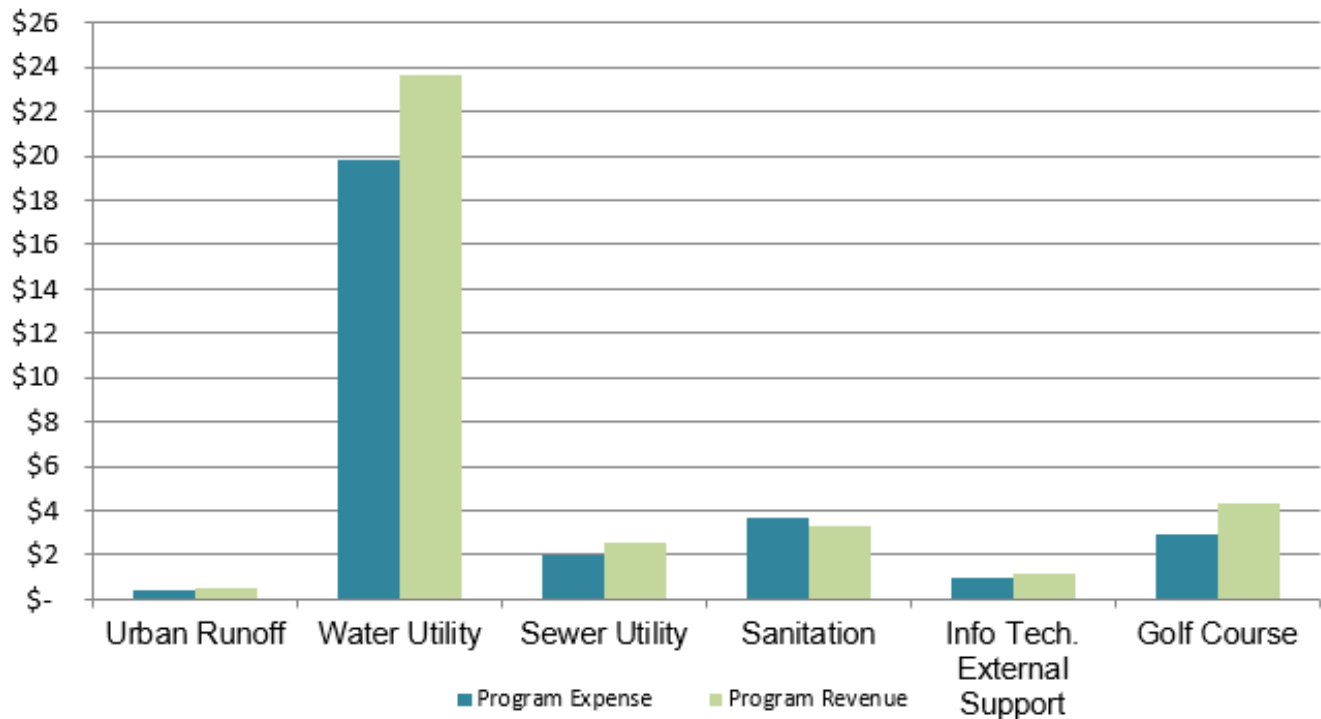
- The City’s combined amount of program revenues, general revenues, taxes and transfers was \$78.3 million. Charges for services was \$4.4 million, contributions include \$6 million in Covid19 related grants, plus operating contributions and grants for a combined total of \$15.5 million. Taxes and transfers were \$50.5 million. Other revenues were \$7.9 million.
- Of the \$78.3 million in total governmental revenues and transfers, 25.4% represents program revenues (both charges for services and contributions), 64.5% represents taxes & transfers and 10.1% represents Other.

Expenses

- In the current year, expenses for all Governmental Activities were \$75.8 million. Of the total \$75.8 million in total governmental expenses, 10.6% is spent on general government, 56.4% on public safety, which includes police and fire, community development is 4.7%, community services is 9.5%, public works is 19.0% and interest is .2%.

Business-type Activities – Business-type Activities increased the City’s net position by \$15.6 million which was comprised primarily of the changes in the net position of the water utility fund, sewer utility, urban runoff, sanitation, information technology external support to public agencies and golf course 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, 2021
(in millions)



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

The Water Utility Activity had an increase in net position of \$4.1 million. The increase in net position was primarily due to operating income of \$5.3 million less \$1.2 million in nonoperating expenses. Of the \$18.3 million in water related expenses, 45.8% was from the purchase of water, 16.9% was from maintenance and other operating expenses, 13.1% was from depreciation, and 24.2% 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 City has contracted a consultant to work on a water rate study, which is expected to be completed and approved before the end of the next fiscal year.

The Sewer Utility Activity had an increase in net position of \$326,761. The increase in net position was primarily due to operating income of \$509,840. Of the \$1.99 million in sewer expenses, 23.0% was from maintenance and other operating expenses, 26.8% from depreciation and 50.1% from personnel costs.

The Urban Runoff Activity had a decrease in net position of \$11,469. This decrease was primarily due to transfers for capital project expenses. Operating expenses, which include maintenance and operation costs of \$227,135 and personnel costs of \$160,194, totaled \$387,329 while operating and non-operating revenues totaled \$459,648.

The Sanitation Utility Activity had an increase in net position of \$81,731. The increase in net position was due to transfers in from General Fund for operations. Total operating revenues were \$3,349,980. Operating expenses included maintenance and operation costs of \$2,981,204 and personnel costs of \$676,870.

The Information Technology External Support had an increase in net position of \$48,752, primarily due to operating revenues exceeding operating expenses of \$32,611. This increase in net position was mostly due to properly updating and recording of contract terms.

The Golf Course is a new fund and accounts for the operations of the Birch Hills and Brea Creek Golf Courses, which have total assets of \$11.4 million, operating revenues of \$4.3 million and operating expenses of \$2.9 million. Revenues came in higher than expected which may have been partially due to the recovery of the earlier stay at home orders related to COVID-19. The fund has a net position of \$11 million at the end of the fiscal year, of which \$9.9 million is invested in capital assets.

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 \$100 million, an increase of \$7.8 million from the prior year. Restricted fund balance totals \$57.4 million and is legally restricted by external parties. Committed fund balance of \$1.4 million is primarily for ongoing updating of the general plan. Assigned fund balance totals \$11.9 million which is primarily for community center and capital assets replacement. Unassigned fund balance totals \$29.3 million.

The General Fund ended the fiscal year with a \$54.1 million fund balance, a net increase of \$12.2 million. Restricted fund balance of \$11.3 million includes \$10.4 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 \$1.4 million is primarily for ongoing updating of the general plan. Assigned fund balance of \$11.9 million is primarily for community center and capital assets replacement. Unassigned fund balance of \$29.4 million is available for future appropriations.

The Housing Successor Fund ended the fiscal year with a fund balance of \$20.7 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 \$6.8 million, a decrease of \$3.1 million. The decrease was primarily due to expenditures in capital projects and improvements. Restricted fund balance of \$6.8 million is for funding of future capital projects.

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 \$81.4 million, an increase of \$4.1 million from prior year. The increase in net position was primarily due to revenues over expenditures of \$4.1 million. Of the \$81.4 million in net position, \$54.1 million is net investment in capital assets, \$2.3 million is restricted for debt service and \$25 million is unrestricted. However, \$9.6 million is set-aside or committed to the Section 115 Trust (PARS), an operating and capital reserves. In addition, amounts have been allocated or encumbered for capital projects currently under construction. Please refer to the capital asset and table 7 below for additional discussion.

The Sewer Utility Fund ended the fiscal year with \$20.9 million in net position, an increase of \$326,761. The increase in net position was primarily due to revenues over expenditures of \$509,840 with a \$197,406 transfer out to the Capital Improvements Fund for various capital improvement projects. Of the \$20.9 million in net position \$17.4 million is net investment in capital assets and \$3.5 million is unrestricted. However, \$1.5 million is set-aside or committed to the Section 115 Trust (PARS), an operating and capital reserves. In addition, amounts have been allocated or encumbered for capital projects currently under construction. Please refer to the capital asset and table 7 below for additional discussion.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budgeted resources, proceeds from sale of capital assets and transfers in for the General Fund at the end of the fiscal year was \$2.3 million less than the original budget and total actual resources, proceeds from sale of capital assets and transfers in were \$8.0 million more than the final budget.

The final appropriations and transfers out for the General Fund at the end of the fiscal year was \$5.1 million more than the original budget and total actual expenditures and transfers out were \$6.5 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 \$2.3 million variance was primarily due to a decrease of \$1.5 million in anticipated sales tax revenues and an additional \$0.7 million decrease in anticipated transient occupancy tax revenue due to the continued economic impacts of the COVID-19 pandemic. Charges for services (includes Community Services related revenues) were also anticipated to be reduced by \$1.7 million as result of the COVID-19 pandemic. There was an increase of \$1.4 million in intergovernmental revenue, which \$1.2 million was primarily due to \$0.6 million funding from Governor’s Office of Emergency Services (OES) to provide strike team responses for various regional fire efforts, \$0.6 million was received in funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act to respond to the COVID-19 pandemic with the remaining \$0.2 million of funding received from other granting agencies.

Charges to Appropriation (Outflows)

The \$5.1 million variance in expenditures was primarily due to carryover of prior year appropriations and increases in overall City expenditures. An additional \$1.3 million was appropriated to the Fire department's budget primarily due to \$0.6 million in overtime costs associated with the strike team responses for various regional fire efforts, \$0.4 million in paramedic services and additional \$0.3 million in other various accounts. The Police department decreased by \$0.6 million due to vacancy savings and Community Development department increased by \$0.3 million primarily due to professional services for the Planning division. Community Services budget decreased by \$1.0 million and is primarily due to the economic impacts to the COVID-19 pandemic. An additional \$1.0 million in capital outlay was a carryover of prior year appropriations to fund equipment for the Police department and capital outlay associated with providing public education access equipment.

The \$4.1 million variance in transfers-out was primarily due to a carryover of prior year appropriations toward the funding of various capital projects.

VariANCES WITH FINAL BUDGET

Resources (Inflows):

The variance between budgeted and actual resources was a \$8.0 million variance, with the major variance in intergovernmental revenue of \$5.2 million. This was primarily due to funding received through the American Rescue Plan Act (ARPA) to respond to the continued economic impacts of the COVID-19 pandemic. Revenue from taxes accounted for a \$1.9 million variance primarily due sales tax receipts coming in more than projected as the economy continues to recover from the COVID-19 pandemic. The \$0.2 million negative variance from licenses and permits is attributed to reduced revenue related to public works permits. The variance for charges for services was \$0.2 million less than budgeted and was primarily due to reduced development revenue for the City's general plan maintenance. The investment income variance was a \$1.7 million increase was mainly due to the increase in interest and the fair market value adjustment. The \$0.4 million negative variance for fines and forfeitures and miscellaneous revenue was primarily attributed to reduced parking enforcement.

Charges to Appropriation (Outflows):

The variance between budgeted and actual expenditure charges of \$6.5 million was partially due to positive variances in personnel costs in the Police, Fire, Community Development and Community Services departments. City management had a positive variance of \$0.3 million primarily due to savings in legal costs and the continuation of the City's redistricting efforts that were not completed in this fiscal year. The Police department had a \$0.6 million variance due to staffing vacancies, reduced training expenditures and reduced expenditures for parking citations since these enforcement efforts were limited due to the COVID-19 pandemic. Both the Fire and Community Development departments had staffing vacancies, which resulted in a \$0.5 million and \$0.6 million variances, respectively. In addition, there are continuing planning efforts related to the City's housing element and the Brea Core Plan that was not completed in the current fiscal year. The Community Services department had a \$0.2 million variance largely attributed to savings due to the COVID-19 pandemic from reduced or cancelled recreation classes and events.

The \$1.1 million variance in capital outlay is largely attributed to a carryover of prior year appropriations to fund costs associated with providing public education access and Police department equipment, which were not completed in the current fiscal year.

The \$3.0 million variance in transfers out was primarily due to work that was not completed on various City projects during the current fiscal year in the Capital Improvement Projects Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2021, amounts to \$337.1 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 increase (including additions and deletions) of \$11.9 million represents a 3.7% increase from last year.

Table 7
Capital Assets (net of depreciation)
Fiscal Year Ended June 30, 2021
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 62,093	\$ 70,663	\$ 11,629	\$ 3,058	\$ 73,722	\$ 73,721
Water rights	-	-	32,375	32,375	32,375	32,375
Structures and improvements	63,201	64,199	4,117	22	67,318	64,221
Equipment	6,751	8,499	275	55	7,026	8,554
Infrastructure	70,159	71,402	67,255	68,910	137,414	140,312
Construction-in-progress	8,236	4,434	11,007	1,587	19,243	6,021
Totals	\$ 210,440	\$ 219,197	\$ 126,658	\$ 106,007	\$ 337,098	\$ 325,204

Construction-in-progress increased \$3.8 million for Governmental Activities and \$9.4 million for Business-Type Activities, as noted above. The increase of \$3.1 million for governmental activities was due to continuous work on the NB 57 Freeway at Lambert Road Interchange Project and the remaining increase is related to various pavement, traffic and street improvement projects not yet completed. The \$9.4 million increase in Business-Type Activities is primarily due to water infrastructure improvement projects that are currently ongoing throughout the City.

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 \$45.3 million for all governmental and business-type activities.

Table 8
Bonds and Capital Leases
Fiscal Year Ended June 30, 2021
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Lease revenue bonds	\$ 2,760	\$ 2,760	\$ -	\$ -	\$ 2,760	\$ 2,760
Water revenue bonds	-	-	42,225	40,440	42,225	40,440
Capital leases	301	597	-	-	301	597
Totals	\$ 3,061	\$ 3,357	\$ 42,225	\$ 40,440	\$ 45,286	\$ 43,797

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 2021-22 General Fund budgeted revenues are \$55.4 million and budgeted expenditures are \$59.7 million.

A brief summary of the factors considered when preparing the Fiscal Year 2021-22 budget are as follows:

- Sales tax represents the single largest source of General Fund revenue, budgeted at \$22.8 million for Fiscal Year 2021-22 as originally projected. Based on economic data trends and projections, the City's baseline sales tax is projected to increase by 7.75% for Fiscal Year 2021-22. Brea's sales tax on a per capita basis consistently outperforms other municipalities. Staff is optimistic that the business community will start to regain momentum as the COVID-19 vaccine continues to be released, distributed and available amongst the general population.
- General Fund property taxes are projected to increase by approximately 4.26% and currently represent \$24.1 million of General Fund revenues. The City, like other cities in Orange County, is experiencing an increase in housing prices. The median price of a single-family home increased to \$879,000 from \$725,000 noted in the prior fiscal year.
- The budget maintains core service levels to the community and represents a 4.10% increase in budgeted expenditures when compared to the FY 2020-21 estimated year-end expenditures. Community Services expenditures assume gradual reopening of programs and services including part-time staffing levels.

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, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and investments	\$ 80,958,896	\$ 27,702,275	\$ 108,661,171
Prepaid items	14,960	-	14,960
Receivables			
Taxes	5,884,549	-	5,884,549
Accounts	1,214,222	5,341,543	6,555,765
Accrued interest	2,765,102	-	2,765,102
Internal balances	610,775	(610,775)	-
Due from other governments	12,951,212	11,371	12,962,583
Due from Successor Agency	3,544	-	3,544
Land held for resale	800,000	-	800,000
Total current assets	<u>105,203,260</u>	<u>32,444,414</u>	<u>137,647,674</u>
Noncurrent assets			
Notes and loans receivable	16,651,096	-	16,651,096
Restricted assets			
Cash and investments	10,154,130	828,127	10,982,257
Cash and investments with fiscal agents	262,773	2,285,353	2,548,126
Capital assets not being depreciated	70,329,200	55,011,108	125,340,308
Capital assets, net of depreciation	140,110,720	71,646,485	211,757,205
Equity in California Domestic Water Company	-	12,656,072	12,656,072
Total noncurrent assets	<u>237,507,919</u>	<u>142,427,145</u>	<u>379,935,064</u>
Total assets	<u>342,711,179</u>	<u>174,871,559</u>	<u>517,582,738</u>
Deferred outflows of resources			
Deferred charge on refunding	-	2,250,127	2,250,127
Deferred amounts related to pensions	15,294,308	1,110,482	16,404,790
Deferred amounts related to OPEB	5,211,095	671,978	5,883,073
Total deferred outflows of resources	<u>20,505,403</u>	<u>4,032,587</u>	<u>24,537,990</u>

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City of Brea, California

Statement of Net Position

June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 6,438,091	\$ 4,991,757	\$ 11,429,848
Accrued liabilities	2,163,016	52,867	2,215,883
Accrued interest	47,479	735,353	782,832
Unearned revenue	4,716,034	-	4,716,034
Deposits payable	894,478	264,970	1,159,448
Due to other governments	1,384,856	-	1,384,856
Long-term liabilities, due within one year	4,316,554	1,728,165	6,044,719
Total current liabilities	19,960,508	7,773,112	27,733,620
Noncurrent liabilities			
Long-term liabilities, due in more than one year	6,929,607	44,563,403	51,493,010
Total OPEB liability	26,426,095	3,829,785	30,255,880
Net pension liability	124,992,610	13,354,130	138,346,740
Total noncurrent liabilities	158,348,312	61,747,318	220,095,630
Total liabilities	178,308,820	69,520,430	247,829,250
Deferred inflows of resources			
Deferred amounts related to pensions	275,396	1,072,909	1,348,305
Deferred amounts related to OPEB	2,404,699	362,304	2,767,003
Total deferred inflows of resources	2,680,095	1,435,213	4,115,308
Net position			
Net investment in capital assets	207,378,698	82,853,705	290,232,403
Restricted for			
Affordable housing	27,762,196	-	27,762,196
Public safety	910,055	-	910,055
Public works	8,765,949	-	8,765,949
Capital projects	17,111,269	-	17,111,269
Debt service	-	2,285,353	2,285,353
Unrestricted	(79,700,500)	22,809,445	(56,891,055)
Total net position	\$ 182,227,667	\$ 107,948,503	\$ 290,176,170

City of Brea, California
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 7,987,033	\$ 1,296,032	\$ 7,735,303	\$ 2,643
Public safety	42,671,837	777,596	1,169,771	-
Community development	3,368,772	1,058,408	486,880	248,585
Community services	7,202,383	1,088,410	940,683	-
Public works	14,390,950	197,022	1,897,567	2,987,849
Interest on long-term debt	161,293	-	-	-
Total governmental activities	75,782,268	4,417,468	12,230,204	3,239,077
Business-Type Activities				
Urban runoff	388,559	457,378	-	-
Water utility	19,767,041	23,635,320	-	-
Sewer utility	1,997,061	2,496,871	-	-
Sanitation	3,667,210	3,349,980	22,888	-
Information technology external support	1,024,382	1,051,148	-	-
Golf course	2,884,293	4,311,445	-	-
Total business-type activities	29,728,546	35,302,142	22,888	-
Total primary government	\$ 105,510,814	\$ 39,719,610	\$ 12,253,092	\$ 3,239,077

General Revenues:

Taxes:

- Property taxes - general purposes
- Property taxes - paramedic program
- Transient occupancy tax
- Sales taxes
- Franchise tax
- Business licenses
- 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, as restated

Net Position at End of Year

City of Brea, California
Statement of Activities
Year Ended June 30, 2021

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ 1,046,945	\$ -	\$ 1,046,945
(40,724,470)	-	(40,724,470)
(1,574,899)	-	(1,574,899)
(5,173,290)	-	(5,173,290)
(9,308,512)	-	(9,308,512)
(161,293)	-	(161,293)
<u>(55,895,519)</u>	<u>-</u>	<u>(55,895,519)</u>
-	68,819	68,819
-	3,868,279	3,868,279
-	499,810	499,810
-	(294,342)	(294,342)
-	26,766	26,766
-	1,427,152	1,427,152
<u>-</u>	<u>5,596,484</u>	<u>5,596,484</u>
<u>(55,895,519)</u>	<u>5,596,484</u>	<u>(50,299,035)</u>
19,267,183	-	19,267,183
4,792,975	-	4,792,975
1,050,303	-	1,050,303
21,479,210	-	21,479,210
2,372,747	-	2,372,747
994,727	-	994,727
441,622	-	441,622
107,321	-	107,321
3,467,362	120,888	3,588,250
4,252,757	82,890	4,335,647
168,580	67,962	236,542
<u>58,394,787</u>	<u>271,740</u>	<u>58,666,527</u>
<u>(4,639)</u>	<u>4,639</u>	<u>-</u>
2,494,629	5,872,863	8,367,492
<u>179,733,038</u>	<u>102,075,640</u>	<u>281,808,678</u>
<u>\$ 182,227,667</u>	<u>\$ 107,948,503</u>	<u>\$ 290,176,170</u>

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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, 2021

	General	Special Revenue Fund Housing Successor	Capital Projects Fund Capital Improvements
Assets:			
Cash and investments	\$ 29,835,213	\$ 5,613,743	\$ 15,307,320
Prepaid items	14,960	-	-
Receivables			
Taxes	5,849,065	-	-
Accounts	964,507	7,573	6,306
Interest	368,374	2,396,728	-
Notes and loans	-	15,155,861	-
Due from other funds	570,658	-	-
Due from other governments	11,294,104	-	1,086,221
Due from Successor Agency	3,544	-	-
Land held for resale	-	800,000	-
Restricted assets:			
Cash and investments	10,154,130	-	-
Cash and investments with fiscal agents	262,773	-	-
Total assets	\$ 59,317,328	\$ 23,973,905	\$ 16,399,847
Liabilities, deferred inflows of resources, and fund balances			
Liabilities:			
Account payable	\$ 1,439,043	\$ 11,960	\$ 4,684,474
Accrued liabilities	2,090,414	2,135	6,739
Unearned revenues	3,681	-	3,661,314
Deposits payable	893,561	917	-
Due to other funds	-	-	-
Due to other governments	1,817	-	-
Total liabilities	4,428,516	15,012	8,352,527
Deferred Inflows of Resources:			
Unavailable revenues	822,512	3,281,657	1,228,341
Fund balances:			
Nonspendable	14,960	-	-
Restricted	11,337,663	20,677,236	6,818,979
Committed	1,388,993	-	-
Assigned	11,914,029	-	-
Unassigned (deficit)	29,410,655	-	-
Total fund balances	54,066,300	20,677,236	6,818,979
Total liabilities, deferred inflows of resources and fund balances	\$ 59,317,328	\$ 23,973,905	\$ 16,399,847

(continued)

City of Brea, California
Balance Sheet
Governmental Funds
June 30, 2021

Non-major Governmental Funds	Total Governmental Funds
\$ 19,095,592	\$ 69,851,868
-	14,960
35,484	5,884,549
5,069	983,455
-	2,765,102
1,495,235	16,651,096
-	570,658
561,017	12,941,342
-	3,544
-	800,000
-	10,154,130
-	262,773
<u>\$ 21,192,397</u>	<u>\$ 120,883,477</u>
\$ 65,309	\$ 6,200,786
16,222	2,115,510
1,051,039	4,716,034
-	894,478
173,145	173,145
<u>1,383,039</u>	<u>1,384,856</u>
<u>2,688,754</u>	<u>15,484,809</u>
<u>107,100</u>	<u>5,439,610</u>
-	14,960
18,548,933	57,382,811
-	1,388,993
-	11,914,029
<u>(152,390)</u>	<u>29,258,265</u>
<u>18,396,543</u>	<u>99,959,058</u>
<u>\$ 21,192,397</u>	<u>\$ 120,883,477</u>

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City of Brea, California
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2021

Fund balances of governmental funds		\$ 99,959,058
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity. Those capital assets consist of:		
Capital assets, depreciable and nondepreciable	\$ 351,565,303	
Accumulated depreciation	<u>(146,690,956)</u>	204,874,347
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:		
Lease revenue bonds	(2,760,000)	
Capital leases payable	(301,222)	
Compensated absences	<u>(2,761,714)</u>	(5,822,936)
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.		
		(47,479)
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 and are not reported in the governmental funds.		
Net pension liability	(120,502,774)	
Total OPEB liability	(24,068,141)	
Deferred outflows of resources related to pensions	14,960,997	
Deferred outflows of resources related to OPEB	4,776,300	
Deferred inflows of resources related to pensions	(82,456)	
Deferred inflows of resources related to OPEB	<u>(2,220,681)</u>	(127,136,755)
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.		
		5,439,610
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred 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.		
		<u>4,961,822</u>
Net Position of Governmental Activities		<u><u>\$ 182,227,667</u></u>

City of Brea, California
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

	General	Special Revenue Fund Housing Successor	Capital Projects Projects Fund Capital Improvements
Revenues:			
Taxes	\$ 44,769,138	\$ -	\$ -
Licenses and permits	451,865	-	-
Intergovernmental	15,377,259	-	1,187,440
Charges for services	1,758,530	-	162,096
Investment income, net	2,302,488	27,904	32,080
Fines and forfeitures	279,487	-	-
Rental income	896,057	-	-
Other revenues	3,506,041	62,805	20,870
Total revenues	69,340,865	90,709	1,402,486
Expenditures:			
Current:			
General government	6,697,845	-	78,771
Public safety	38,281,869	-	282,018
Community development	2,745,297	256,996	-
Community services	6,607,980	-	-
Public works	5,857,242	-	-
Capital outlay	166,596	-	10,923,739
Debt service:			
Principal	295,873	-	-
Interest and fiscal charges	197,523	-	-
Total expenditures	60,850,225	256,996	11,284,528
Excess (Deficiency) of Revenues over (Under) Expenditures	8,490,640	(166,287)	(9,882,042)
Other Financing Sources (Uses):			
Proceeds from sale of capital assets	11,601	-	-
Transfers in	450,000	-	6,792,983
Transfers out	(1,807,478)	-	-
Total other financing sources (uses)	(1,345,877)	-	6,792,983
Net Changes in Fund Balances	7,144,763	(166,287)	(3,089,059)
Fund Balances, Beginning of Year, as restated	46,921,537	20,843,523	9,908,038
Fund Balances, End of Year	\$ 54,066,300	\$ 20,677,236	\$ 6,818,979

(continued)

City of Brea, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

Non-major Governmental Funds	Total Governmental Funds
\$ 2,498,401	\$ 47,267,539
-	451,865
2,160,730	18,725,429
305,130	2,225,756
24,390	2,386,862
270,984	550,471
-	896,057
652,262	4,241,978
<u>5,911,897</u>	<u>76,745,957</u>
-	6,776,616
1,059,431	39,623,318
184,414	3,186,707
-	6,607,980
372,394	6,229,636
-	11,090,335
-	295,873
-	197,523
<u>1,616,239</u>	<u>74,007,988</u>
<u>4,295,658</u>	<u>2,737,969</u>
-	11,601
-	7,242,983
<u>(5,440,144)</u>	<u>(7,247,622)</u>
<u>(5,440,144)</u>	<u>6,962</u>
(1,144,486)	2,744,931
<u>19,541,029</u>	<u>97,214,127</u>
<u>\$ 18,396,543</u>	<u>\$ 99,959,058</u>

City of Brea, California
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2021

Net change in fund balances - total governmental funds \$ 2,744,931

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	\$ 11,090,335	
Amounts not capitalized	(1,734,649)	
Depreciation	<u>(8,005,407)</u>	1,350,279

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	295,873
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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	36,230
Changes in compensated absences	(189,192)
Changes in total OPEB liabilities and related deferred outflows and inflows of resources	(406,650)
Changes in net pension liabilities and related deferred outflows and inflows of resources	(2,638,263)

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	1,382,101
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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>(80,680)</u>

Change in net position of governmental activities	<u><u>\$ 2,494,629</u></u>
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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 Services 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, 2021

	Business-Type Activities		
	Water Utility	Sewer Utility	Non-major Enterprise Funds
Assets			
Current assets:			
Cash and investments	\$ 20,355,473	\$ 4,683,912	\$ 2,662,890
Receivables:			
Accounts receivable	3,978,774	419,439	943,330
Due from other governments	-	-	11,371
Total current assets	24,334,247	5,103,351	3,617,591
Noncurrent assets:			
Restricted cash and investments	415,822	152,094	260,211
Restricted - cash and investments with fiscal agent	2,285,353	-	-
Capital assets - nondepreciable	45,042,348	1,398,263	8,570,497
Capital assets - net of accumulated depreciation	52,888,932	17,395,075	1,362,478
Equity in California Domestic Water Company	12,656,072	-	-
Total noncurrent assets	113,288,527	18,945,432	10,193,186
Total assets	137,622,774	24,048,783	13,810,777
Deferred outflows of resources			
Deferred charge on refunding	2,250,127	-	-
Deferred pension related items	477,180	204,551	428,751
Deferred OPEB related items	332,302	121,592	218,084
Total deferred outflows of resources	3,059,609	326,143	646,835
Liabilities			
Current liabilities:			
Accounts payable	\$ 4,379,245	\$ 7,055	\$ 605,457
Accrued liabilities	25,744	10,243	16,880
Accrued interest	735,353	-	-
Deposits payable	264,970	-	-
Due to other funds	-	-	397,513
Compensated absences, due within one year	84,304	41,982	51,879
Claims and judgments, due within one year	-	-	-
Bonds, notes, and capital leases, due within one year	1,550,000	-	-
Total current liabilities	7,039,616	59,280	1,071,729
Non-current liabilities:			
Compensated absences, due in more than one year	28,101	13,994	17,293
Claims and judgments, due in more than one year	-	-	-
Net pension liability	5,515,681	2,485,055	5,353,394
Total OPEB liability	1,643,381	600,990	1,585,414
Bonds, notes, and capital leases, due in more than one year	44,504,015	-	-
Total noncurrent liabilities	51,691,178	3,100,039	6,956,101
Total liabilities	58,730,794	3,159,319	8,027,830
Deferred inflows of resources			
Deferred pension related items	413,645	269,680	389,584
Deferred OPEB related items	149,605	55,377	157,322
Total Deferred Inflows of Resources	563,250	325,057	546,906
Net position (deficit)			
Net investment in capital assets	54,127,392	18,793,338	9,932,975
Restricted for debt service	2,285,353	-	-
Unrestricted	24,975,594	2,097,212	(4,050,099)
Total net position (deficit)	\$ 81,388,339	\$ 20,890,550	\$ 5,882,876

City of Brea, California
Statement of Net Position – Proprietary Funds
June 30, 2021

	Total Enterprise Funds	Governmental Activities Internal Service Funds
Assets		
Current assets:		
Cash and investments	\$ 27,702,275	\$ 11,107,028
Receivables:		
Accounts receivable	5,341,543	230,767
Due from other governments	11,371	9,870
Total current assets	33,055,189	11,347,665
Noncurrent assets:		
Restricted cash and investments	828,127	-
Restricted - Cash and investments with fiscal agent	2,285,353	-
Capital assets - nondepreciable	55,011,108	-
Capital assets - net of accumulated depreciation	71,646,485	5,565,573
Equity in California Domestic Water Company	12,656,072	-
Total noncurrent assets	142,427,145	5,565,573
Total assets	175,482,334	16,913,238
Deferred outflows of resources		
Deferred charge on refunding	2,250,127	-
Deferred pension related items	1,110,482	333,311
Deferred OPEB related items	671,978	434,795
Total deferred outflows of resources	4,032,587	768,106
Liabilities		
Current liabilities:		
Accounts payable	\$ 4,991,757	\$ 237,305
Accrued liabilities	52,867	47,506
Accrued interest	735,353	-
Deposits payable	264,970	-
Due to other funds	397,513	-
Compensated absences, due within one year	178,165	86,096
Claims and judgments, due within one year	-	1,857,951
Bonds, notes, and capital leases, due within one year	1,550,000	-
Total current liabilities	8,170,625	2,228,858
Non-current liabilities:		
Compensated absences, due in more than one year	59,388	28,698
Claims and judgments, due in more than one year	-	3,450,480
Net pension liability	13,354,130	4,489,836
Total OPEB liability	3,829,785	2,357,954
Bonds, notes, and capital leases, due in more than one year	44,504,015	-
Total noncurrent liabilities	61,747,318	10,326,968
Total liabilities	69,917,943	12,555,826
Deferred inflows of resources		
Deferred pension related items	1,072,909	192,940
Deferred OPEB related items	362,304	184,018
Total Deferred Inflows of Resources	1,435,213	376,958
Net position (deficit)		
Net investment in capital assets	82,853,705	5,565,573
Restricted for debt service	2,285,353	-
Unrestricted	23,022,707	(817,013)
Total net position (deficit)	\$ 108,161,765	\$ 4,748,560
Reconciliation of Net Position to the Statement of Net Position		
Net Position per Statement of Net Position - Proprietary Funds	\$ 108,161,765	
Accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(213,262)	
Net position of business-type activities	\$ 107,948,503	

City of Brea, California
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2021

	Business-Type Activities		
	Water Utility	Sewer Utility	Non-major Enterprise Funds
Operating Revenues:			
Charges for services	\$ 22,949,801	\$ 2,483,997	\$ 9,041,981
Connection fees	122,770	6,995	-
Fines and forfeitures	430,256	-	17
Other revenues	132,493	5,879	127,953
	<u>23,635,320</u>	<u>2,496,871</u>	<u>9,169,951</u>
Total operating revenues			-
Operating Expenses:			
Personnel services	4,427,036	995,953	1,747,631
Maintenance and operation	3,097,234	457,920	6,119,843
Cost of purchased water	8,357,581	-	-
Claims and judgements	-	-	-
Depreciation	2,403,475	533,158	80,759
	<u>18,285,326</u>	<u>1,987,031</u>	<u>7,948,233</u>
Total operating expenses			-
Operating income (loss)	<u>5,349,994</u>	<u>509,840</u>	<u>1,221,718</u>
Nonoperating Revenues (Expenses):			
Intergovernmental revenues	-	-	22,888
Interest revenue	91,978	14,327	14,583
Interest expense	(1,453,383)	-	-
Change in equity of California Domestic Water Company	82,890	-	-
Gain (loss) on disposal of capital assets	67,962	-	-
	<u>(1,210,553)</u>	<u>14,327</u>	<u>37,471</u>
Total nonoperating revenues (expenses)			-
Income (loss) before transfers	<u>4,139,441</u>	<u>524,167</u>	<u>1,259,189</u>
Transfers:			
Transfers in	-	-	366,888
Transfers out	-	(197,406)	(164,843)
	<u>-</u>	<u>(197,406)</u>	<u>202,045</u>
Total transfers			-
Change in Net Position	4,139,441	326,761	1,461,234
Net Position (Deficit):			
Net Position (Deficit) at Beginning of Year, as restated	<u>77,248,898</u>	<u>20,563,789</u>	<u>4,421,642</u>
Net Position (Deficit) at End of Year	<u>\$ 81,388,339</u>	<u>\$ 20,890,550</u>	<u>\$ 5,882,876</u>

City of Brea, California
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2021

	Total Enterprise Funds	Governmental Activities Internal Service Funds
Operating Revenues:		
Charges for services	\$ 34,475,779	\$ 11,357,680
Connection fees	129,765	-
Fines and forfeitures	430,273	-
Other revenues	266,325	336,763
Total operating revenues	35,302,142	11,694,443
Operating Expenses:		
Personnel services	7,170,620	3,527,706
Maintenance and operation	9,674,997	4,780,565
Cost of purchased water	8,357,581	-
Claims and judgements	-	2,722,171
Depreciation	3,017,392	941,131
Total operating expenses	28,220,590	11,971,573
Operating income (loss)	7,081,552	(277,130)
Nonoperating Revenues (Expenses):		
Intergovernmental revenues	22,888	2,643
Interest revenue	120,888	(17,745)
Interest expense	(1,453,383)	-
Change in equity of California Domestic Water Company	82,890	-
Gain (loss) on disposal of capital assets	67,962	156,979
Total nonoperating revenues (expenses)	(1,158,755)	141,877
Income (loss) before transfers	5,922,797	(135,253)
Transfers:		
Transfers in	366,888	-
Transfers out	(362,249)	-
Total transfers	4,639	-
Change in Net Position	5,927,436	(135,253)
Net Position (Deficit):		
Net Position (Deficit) at Beginning of Year, as restated	102,234,329	4,883,813
Net Position (Deficit) at End of Year	\$ 108,161,765	\$ 4,748,560
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	\$ 5,927,436	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	(54,573)	
Changes in Net Position of Business-Type Activities per Statement of Activities	\$ 5,872,863	

City of Brea, California
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

	Business-Type Activities		
	Water Utility	Sewer Utility	Non-major Enterprise Funds
Operating Activities:			
Cash received from customers and users	\$ 23,302,856	\$ 2,490,026	\$ 9,130,521
Cash payments to suppliers for goods and services	(10,806,609)	(459,511)	(3,049,439)
Cash payments to employees for services	(4,324,427)	(935,495)	(4,354,815)
Net Cash Provided by (used for) Operating Activities	<u>8,171,820</u>	<u>1,095,020</u>	<u>1,726,267</u>
Noncapital Financing Activities:			
Cash transfer out	-	(197,406)	(83,788)
Cash transfer in	-	-	285,833
Intergovernmental revenues	-	-	22,888
Net Cash Provided by (used for) Noncapital Financing Activities	<u>-</u>	<u>(197,406)</u>	<u>224,933</u>
Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(12,610,331)	(1,044,042)	(311,768)
Proceeds from issuance of debt	17,960,000	-	-
Proceeds from sale of capital assets	67,962	-	-
Amounts paid to refunding agent	(17,671,366)	-	-
Principal and interest paid on long-term debt	(2,993,550)	-	-
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>(15,247,285)</u>	<u>(1,044,042)</u>	<u>(311,768)</u>
Investing Activities:			
Interest received	<u>91,978</u>	<u>14,327</u>	<u>14,583</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,983,487)	(132,101)	1,654,015
Cash and Cash Equivalents at Beginning of Year	<u>30,040,135</u>	<u>4,968,107</u>	<u>1,269,086</u>
Cash and Cash Equivalents at End of Year	<u>\$ 23,056,648</u>	<u>\$ 4,836,006</u>	<u>\$ 2,923,101</u>
Reconciliation of cash and cash equivalents			
Cash and investments	\$ 20,355,473	\$ 4,683,912	\$ 2,662,890
Restricted cash and investments	415,822	152,094	260,211
Restricted - Cash and investments with fiscal agent	<u>2,285,353</u>	<u>-</u>	<u>-</u>
Total Cash and cash equivalents	<u>\$ 23,056,648</u>	<u>\$ 4,836,006</u>	<u>\$ 2,923,101</u>

(continued)

City of Brea, California
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

Total Enterprise Funds	Governmental Activities Internal Service Funds
\$ 34,923,403	\$ 11,660,577
(14,315,559)	(4,498,347)
<u>(9,614,737)</u>	<u>(5,841,985)</u>
<u>10,993,107</u>	<u>1,320,245</u>
(281,194)	-
285,833	2,643
<u>22,888</u>	<u>-</u>
<u>27,527</u>	<u>2,643</u>
(13,966,141)	(378,294)
17,960,000	-
67,962	-
(17,671,366)	-
<u>(2,993,550)</u>	<u>-</u>
<u>(16,603,095)</u>	<u>(378,294)</u>
<u>120,888</u>	<u>(17,745)</u>
(5,461,573)	926,849
<u>36,277,328</u>	<u>10,180,179</u>
<u>\$ 30,815,755</u>	<u>\$ 11,107,028</u>
\$ 27,702,275	\$ 11,107,028
828,127	-
<u>2,285,353</u>	<u>-</u>
<u>\$ 30,815,755</u>	<u>\$ 11,107,028</u>

City of Brea, California
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

	Business-Type Activities		
	Water Utility	Sewer Utility	Non-major Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Operating income (loss)	\$ 5,349,994	\$ 509,840	\$ 1,221,718
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,403,475	533,158	80,759
Changes in net pension liability and related deferrals	64,177	25,292	38,596
Changes in total OPEB liability and related deferrals	27,943	10,197	17,721
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(332,464)	(6,845)	(39,430)
(Increase) decrease in due from other governments			
Increase (decrease) in accounts payable	631,491	(1,591)	250,089
Increase (decrease) in accrued liabilities	25,744	10,243	16,880
Increase (decrease) in deposit payables	16,715	-	-
Increase (decrease) increase in claims and judgements	-	-	-
Increase (decrease) in due to other funds	-	-	155,887
Increase (decrease) in compensated absences	(15,255)	14,726	(15,953)
Total adjustments	<u>2,821,826</u>	<u>585,180</u>	<u>504,549</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ 8,171,820</u>	<u>\$ 1,095,020</u>	<u>\$ 1,726,267</u>
Non-Cash Investing, Capital, and Financing Activities:			
Amortization of bond discount and premium	\$ (1,773,663)	\$ -	\$ -
Amortization of loss on refunding	1,100,239	-	-
Change in equity of California Domestic Water Company	82,890	-	-

City of Brea, California
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

Total Enterprise Funds	Governmental Activities <u>Internal Service Funds</u>
\$ 7,081,552	\$ (277,130)
3,017,392	941,131
128,065	93,436
55,861	36,612
(378,739)	(59,912)
879,989	(5,662)
52,867	(39,753)
16,715	(39,955)
-	-
-	585,837
155,887	-
<u>(16,482)</u>	<u>85,641</u>
<u>3,911,555</u>	<u>1,597,375</u>
<u>\$ 10,993,107</u>	<u>\$ 1,320,245</u>
\$ (1,773,663)	\$ -
1,100,239	-
82,890	-

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Custodial Funds

Custodial 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 Fiduciary Net Position – Fiduciary Funds
June 30, 2021

	Custodial Funds	Private- Purpose Trust Fund <u>Successor Agency of the Former RDA</u>
Assets:		
Cash and investments	\$ 6,039,595	\$ 183,588
Receivables:		
Taxes	23,710	-
Accounts	3,610	-
Accrued interest	-	15
Accreted interest	-	1,174,268
Due from other governments	-	426,000
Prepaid insurance	22,336	96,000
Restricted assets:		
Cash and investments with fiscal agents	849,175	13,263,843
Capital assets, net of accumulated depreciation	6,851	-
Total assets	6,945,277	15,143,714
Deferred outflows of resources:		
Deferred charge on refunding	-	5,218,802
Liabilities:		
Accounts payable	183,538	-
Accrued liabilities	566,241	-
Accrued interest	-	1,545,890
Due to the City of Brea	-	3,544
Long-term liabilities:		
Due in one year	-	11,290,000
Due in more than one year	-	110,714,209
Total liabilities	\$ 749,779	123,553,643
Net Position (deficit):		
Held in trust for other purposes	\$ 6,195,498	\$ (103,191,127)

City of Brea, California
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended June 30, 2021

	Custodial Funds	Private-Purpose Trust Fund Successor Agency of the Former RDA
Additions:		
Taxes and special assessments	\$ 1,027,305	\$ 16,804,012
Member contributions	1,229,733	-
Interest and changes in fair value of investments	(4,222)	2,748
Investment income	-	65
Miscellaneous	58,281	508
Total additions	<u>2,311,097</u>	<u>16,807,333</u>
Deductions:		
Administrative expenses	1,125,989	32,752
Depreciation expense	138,142	-
Contractual services	-	24,362
Principal payments	660,000	-
Interest expense	420,412	3,272,430
Pass through agreement payments	-	1,720,395
Capital expenses	14,240	-
Total deductions	<u>2,358,783</u>	<u>5,049,939</u>
Changes in net position	(47,686)	11,757,394
Net position (deficit):		
Net deficit, beginning of the year, as restated	<u>6,243,184</u>	<u>(114,948,521)</u>
Net deficit, end of the year	<u>\$ 6,195,498</u>	<u>\$ (103,191,127)</u>

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Note 1 - Summary of Significant Accounting Policies

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

a. Description of the Reporting Entity

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

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

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

Based upon the above criteria, the component units of the City are the Brea Public Financing Authority, 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. The activities of the Brea Public Financing Authority are accounted for in the Water Enterprise Fund.

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. There were no activities recorded for the Midbury Assessment Authority during the fiscal year as the project has been completed and is in the dissolution process.

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.

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 custodial funds and a private purpose trust fund. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Private purpose trust funds and custodial 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.
- 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.
- Custodial 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.
- 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.

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.

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, 2021. The County of Orange assesses, bills, and collects property taxes for the City.

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.

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 reports 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 at the time of refunding. 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.

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 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. The General Fund is used to liquidate the governmental fund OPEB liability.

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. The General Fund is used to liquidate the governmental fund net pension liability.

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.

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, 2021, \$56,834,822 of net position is restricted by enabling legislation.

Unrestricted Net Position – This amount is the net position that does 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.

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, 2021, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

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 were implemented as of July 1, 2020 and resulted in a restatement of beginning net position. The effect of the implementation of this standard on beginning net position is disclosed in Note 17.

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 was implemented as of July 1, 2020.

GASB Statement No. 98 – In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. The Statement establishes the term *annual comprehensive financial report* and its acronym ACFR. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The City has implemented this standard and accordingly is using the term annual comprehensive financial report or ACFR on a go forward basis.

h. Pronouncements Issued But Not Yet Adopted

The GASB has issued pronouncements that have an effective date subsequent to June 30, 2021, which may impact future financial presentations. The following statements are currently being evaluated by the City's management.

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 June 15, 2021, or 2021-2022 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, 2020, or 2021-2022 fiscal year.

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, or 2021-2022 fiscal year. Earlier application is encouraged.

GASB Statement No. 92 – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods beginning after June 15, 2021, or 2021-2022 fiscal year.

GASB Statement No. 93 – In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The Statement is effective for reporting periods beginning after June 15, 2021, or 2021-2022 fiscal year.

GASB Statement No. 94 – In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022, or 2022-2023 fiscal year.

GASB Statement No. 96 – In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangement (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022, or 2022-2023 fiscal year.

GASB Statement No. 97 – In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No. 14 and No. 84 and A Supersession of GASB Statement No. 32*. The objective of this Statement is (1) to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2021, or 2021-2022 fiscal year.

Note 2 - Stewardship, Compliance and Accountability

Deficit Fund Balances or Net Position

The following individual nonmajor funds have a deficit at June 30, 2021:

Community Development Block Grant Special Revenue Fund	\$ (152,390)
Sanitation Enterprise Fund	(2,554,986)
Information Technology External Support Enterprise Fund	(3,020,690)
Information Technology Internal Service Fund	(313,493)

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 Information Technology internal service fund and the Sanitation and Information Technology External Support enterprise funds, the deficits are the result of pension and OPEB liabilities, which will be eliminated through future charges.

At June 30, 2021, the Successor Agency of the Former RDA Private-purpose Trust Fund had a deficit net position amount of \$103,191,127. The deficit balance will be eliminated with future property tax revenue.

Note 3 - Cash and Investments

As of June 30, 2021, 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	\$ 108,661,171	\$ 6,223,183	\$ 114,884,354
Restricted assets:			
Cash and investments	10,982,257	-	10,982,257
Cash and investments with fiscal agents	2,548,126	14,113,018	16,661,144
Total cash and investments	\$ 122,191,554	\$ 20,336,201	\$ 142,527,755

Cash and investments as of June 30, 2021, consist of the following:

Cash on hand	\$ 9,605
Deposits with financial institutions	3,337,006
Total cash	3,346,611
Investments	111,537,960
Restricted cash and investments	10,982,257
Cash and investments with fiscal agents	16,660,927
Total investments	139,181,144
Total cash and investments	\$ 142,527,755

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 \$3,337,006 at June 30, 2021. Bank balances were \$4,500,128 at that date. The \$1,163,122 difference represents outstanding checks and other reconciling items. As of June 30, 2021, the City's deposits with financial institutions were covered by FDIC up to \$250,000, and the remaining amounts of \$4,250,128 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.

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 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	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	LAIF limit	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.

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 \$75,000,000. 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, 2021, the City reported \$10,982,257 in restricted cash and investments. As of June 30, 2021, the City had \$10,154,130 of restricted cash and investments reported in the general fund and \$828,127 held in the business-type funds in a Section 115 Trust restricted for future pension contributions. 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).

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	\$ 24,377,691	\$ -	\$ -	\$ -	\$ -
Municipal Bonds	N/A	-	-	949,554	-	-
U.S. Government Sponsored Enterprise Securities	N/A	-	-	27,672,298	-	-
Corporate Notes	A	-	4,861,832	7,895,998	1,434,648	806,932
Bank Money Market Accounts	AAA	-	-	615,711	-	-
Asset Backed Securities	AA	-	4,735,934	-	-	-
California Local Agency Investment Fund	N/A	18,027,267	-	-	-	-
Supranational	AA	-	-	4,953,069	-	-
Restricted Cash and Investments						
Corporate Bonds	N/A	-	-	155,781	159,624	106,320
Money Market Mutual Funds	N/A	8,535,555	-	-	-	-
Restricted Cash and Investments with Fiscal Agents						
Money Market Mutual Funds	N/A	-	15,983,121	-	-	-
U.S. Treasury Obligations	N/A	-	-	677,806	-	-
Total		\$ 50,940,513	\$ 25,580,887	\$ 42,920,217	\$ 1,594,272	\$ 913,252

Investment Type	Minimum legal rating	A+	A	A-	BBB+/BBB	Total
U.S. Treasury Obligations	N/A	\$ -	\$ -	\$ -	\$ -	\$ 24,377,691
Municipal Bonds	N/A	-	-	-	-	949,554
U.S. Government Sponsored Enterprise Securities	N/A	-	6,442,081	-	-	34,114,379
Corporate Notes	A	2,130,655	590,139	3,483,078	-	21,203,282
Bank Money Market Accounts	AAA	-	-	-	-	615,711
Asset Backed Securities	AA	-	2,561,073	-	-	7,297,007
California Local Agency Investment Fund	N/A	-	-	-	-	18,027,267
Supranational	AA	-	-	-	-	4,953,069
Restricted Cash and Investments						
Corporate Bonds	N/A	189,260	452,594	424,047	748,193	2,235,819
Money Market Mutual Funds	N/A	-	-	-	-	8,535,555
Foreign Bonds	N/A	103,792	-	-	107,091	210,883
Restricted Cash and Investments with Fiscal Agents						
Money Market Mutual Funds	N/A	-	-	-	-	15,983,121
U.S. Treasury Obligations	N/A	-	-	-	-	677,806
Total		\$ 2,423,707	\$ 10,045,887	\$ 3,907,125	\$ 855,284	\$ 139,181,144

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.

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:

Issuer	Investment Type	Amount	% of Total Investments
Federal Home Loan Banks	U.S Government Sponsored Enterprise	\$ 10,156,721	9.10%
Federal National Mortgage Association	U.S Government Sponsored Enterprise	14,475,427	12.98%
Federal Home Loan Mortgage Corporation	U.S Government Sponsored Enterprise	9,482,230	8.50%

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, 2021, the City had the following investments and original maturities:

Investment Type	Investment Maturities (in Years)				Total
	12 months or less	13 to 24 Months	25 to 60 Months	More than 60 Months	
Investments held by City:					
U.S. Treasury Obligations	\$ 2,698,549	\$ 3,468,848	\$ 18,210,294	\$ -	\$ 24,377,691
Municipal Bonds	-	-	949,554	-	949,554
U.S. Government Sponsored Enterprise Securities	2,446,593	4,369,896	27,297,890	-	34,114,379
Corporate Bonds	590,139	5,374,832	15,238,311	-	21,203,282
Bank Money Market Accounts	615,711	-	-	-	615,711
Asset Backed Securities	-	259,409	7,037,598	-	7,297,007
California Local Agency Investment Fund	18,027,267	-	-	-	18,027,267
Supranational	1,288,561	815,067	2,849,441	-	4,953,069
Restricted Cash and Investments:					
Corporate Bonds	101,234	233,761	1,082,770	818,054	2,235,819
Money Market Mutual Funds	8,535,555	-	-	-	8,535,555
Foreign Bonds	-	-	-	210,883	210,883
Restricted Cash and Investments with Fiscal Agents:					
Money Market Mutual Funds	15,983,121	-	-	-	15,983,121
U.S. Treasury Obligations	221,786	226,626	229,394	-	677,806
	<u>\$ 50,508,516</u>	<u>\$ 14,748,439</u>	<u>\$ 72,895,252</u>	<u>\$ 1,028,937</u>	<u>\$ 139,181,144</u>

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, but are recorded on an amortized cost basis which approximates 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, 2021:

Investment Type	Totals	Investments not Subject to Hierarchy	Level		
			1	2	3
U.S. Treasury Obligations	\$ 24,377,691	\$ -	\$ -	\$ 24,377,691	\$ -
Municipal Bonds	949,554	-	-	949,554	-
U.S. Government Sponsored Enterprise					
Securities	34,114,379	-	-	34,114,379	-
Corporate Bonds	21,203,282	-	-	21,203,282	-
Bank Money Market Accounts	615,711	615,711	-	-	-
Asset Backed Securities	7,297,007	-	-	7,297,007	-
California Local Agency Investment Fund	18,027,267	18,027,267	-	-	-
Supranational	4,953,069	-	-	4,953,069	-
Restricted Cash and Investments					
Corporate Bonds	2,235,819	-	-	2,235,819	-
Money Market Mutual Funds	8,535,555	8,535,555	-	-	-
Foreign bonds	210,883	-	-	210,883	-
Restricted Cash and Investments with Fiscal Agents					
Money Market Mutual Funds	15,983,121	15,983,121	-	-	-
U.S. Treasury Obligations	677,806	-	-	677,806	-
	<u>\$ 139,181,144</u>	<u>\$ 43,161,654</u>	<u>\$ -</u>	<u>\$ 96,019,490</u>	<u>\$ -</u>

Note 4 - California Domestic Water Company (CDWC)

The City purchases 94.0% 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.

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, 2021, 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 \$367,146.

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 \$168,056.

As of June 30, 2021, the City holds 2,208.50 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 27.63% of the total shares outstanding. The City reported an increase of \$82,890 as the change in equity for the year ended June 30, 2021. 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, 2021, the City was entitled to purchase 1.55 acre feet of water per common stock share owned or 3,202.33 acre feet of at the common stock entitlement rate, for a total cost of \$1,703,216.

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 284.93 acre feet at the common stock entitlement rate for a total cost of \$151,545 for a combined total of \$1,854,768 at the common stock entitlement rate.

During the year ended June 30, 2021, the City also purchased 4,726.06 acre feet for \$5,264,024 from CDWC in excess of its entitlement. Other amounts paid to CDWC for the year ended June 30, 2021, including annual common stock assessments and readiness-to-serve charges totaled \$201,860.

During the year ended June 30, 2021, the City paid \$7,855,846 to CDWC for purchases of water during the year.

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, 2021:

CDBG	\$ 1,347,798
HOME Grant Funds	35,241
Affordable Housing Trust	<u>112,196</u>
 Total notes and loans receivable in the non-major governmental funds	 <u><u>\$ 1,495,235</u></u>

The City (through the former redevelopment agency) has made long term loans to various developers and organizations to stimulate low and moderate income housing projects and to low 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, 2021:

Home Buyer Assistance Loans	\$	3,586,046
Rehabilitation Loans		117,959
Developer / Organization Loans:		
Acacia Apartments		1,362,743
Birch Hills Affordable Apartments		4,750,000
Bonterra Apartments		1,049,228
Imperial Apartments		2,853,000
La Habra Housing		610,885
South Walnut Bungalows		826,000
Total notes and loans receivable in the Housing Successor Fund	\$	15,155,861

Note 6 - Interfund Receivables, Payables, Advances and Transfers

The composition of interfund balances as of June 30, 2021, is as follows:

Due To/From Other Funds

		Due From Other Funds
		General Fund
Non-major Governmental Funds	\$	173,145
Non-major Enterprise Funds		397,513
Total	\$	570,658

1. The balances due among the General Fund and Non-major Governmental Funds for \$173,145 were related to CDBG having negative cash for \$173,145 and represents a short-term cash flow borrowing between the General Fund and the Community Development Block Grant fund.
2. The balances due between General Fund and Non-major Enterprise Funds for \$397,513 were related to negative cash balance and represents a short-term cash flow borrowing between the General Fund and the Sanitation Fund.

Transfers In/Out from Other Funds

Transfers Out	Transfers In			Total
	General Fund	Capital Improvements Fund	Non-Major Enterprise	
General Fund	\$ -	\$ 1,440,590	\$ 366,888	\$ 1,807,478
Non-major Governmental Funds	450,000	4,990,144	-	5,440,144
Business-type Activities:				
Sewer Utility	-	197,406	-	197,406
Non-major Enterprise Funds	-	164,843	-	164,843
Total	\$ 450,000	\$ 6,792,983	\$ 366,888	\$ 7,609,871

1. The General Fund transferred \$1,440,590 to the Capital Improvements Fund for various capital improvement program projects.
2. The General Fund transferred \$366,888 to Non-major Enterprise Fund to offset street sweeping services.
3. The Non-major Governmental Funds transferred to the General Fund \$400,000 for Street Maintenance Program and \$50,000 for Parks Master Plan.
4. Non-major Governmental Funds transferred \$4,990,145 to the Capital Improvements Fund for various capital improvement program projects.
5. The Sewer Fund transferred \$197,406 to the Capital Improvements Fund for various capital improvement program projects.
6. The Non-major Enterprise Fund transferred \$164,843 to the Capital Improvements Fund for various capital improvement program projects.

Note 7 - Capital Assets

Summary of changes in capital assets for the governmental activities for the year ended June 30, 2021, is as follows:

	Beginning Balance	Restatement	Transfers	Additions	Disposals	Ending Balance
Governmental activities:						
Capital assets, not depreciated:						
Land	\$ 70,663,293	\$ (8,570,497)	\$ -	\$ -	\$ -	\$ 62,092,796
Construction in progress	4,434,036	-	(1,408,180)	5,210,548	-	8,236,404
Total Capital Assets, Not Depreciated	75,097,329	(8,570,497)	(1,408,180)	5,210,548	-	70,329,200
Capital assets, being depreciated:						
Structures and improvements	119,601,422	(1,319,268)	-	2,498,360	-	120,780,514
Equipment	21,643,118	(230,577)	-	888,642	(778,157)	21,523,026
Infrastructure	149,378,833	-	1,408,180	2,071,566	-	152,858,579
Total Capital Assets Being Depreciated	290,623,373	(1,549,845)	1,408,180	5,458,568	(778,157)	295,162,119
Less accumulated depreciation for:						
Structures and improvements	(55,402,369)	330,347	-	(2,508,185)	-	(57,580,207)
Equipment	(13,144,134)	88,029	-	(1,715,557)	-	(14,771,662)
Infrastructure	(77,976,734)	-	-	(4,722,796)	-	(82,699,530)
Total Accumulated Depreciation	(146,523,237)	418,376	-	(8,946,538)	-	(155,051,399)
Total Capital Assets Being Depreciated, Net	144,100,136	(1,131,469)	1,408,180	(3,487,970)	(778,157)	140,110,720
Governmental Activities Capital Assets, Net	\$ 219,197,465	\$ (9,701,966)	\$ -	\$ 1,722,578	\$ (778,157)	\$ 210,439,920
Business-Type Activities:						
Capital assets, not depreciated:						
Land	\$ 3,058,251	\$ 8,570,497	\$ -	\$ -	\$ -	\$ 11,628,748
Water rights - fee title	23,931,020	-	-	-	-	23,931,020
Water rights - preferred stock	8,444,404	-	-	-	-	8,444,404
Construction in progress	1,586,568	-	(859,880)	10,280,248	-	11,006,936
Total Capital Assets, not depreciated	37,020,243	8,570,497	(859,880)	10,280,248	-	55,011,108
Capital assets, being depreciated:						
Structures and Improvements	26,160	1,319,268	-	3,159,864	-	4,505,292
Equipment	384,352	230,577	-	121,204	(43,745)	692,388
Infrastructure	130,781,496	-	859,880	404,825	-	132,046,201
Total Capital Assets Being Depreciated	131,192,008	1,549,845	859,880	3,685,893	(43,745)	137,243,881
Less accumulated depreciation for:						
Structures and Improvements	(3,706)	(330,347)	-	(54,267)	-	(388,320)
Equipment	(329,774)	(88,029)	-	(43,840)	43,745	(417,898)
Infrastructure	(61,871,893)	-	-	(2,919,285)	-	(64,791,178)
Total Accumulated Depreciation	(62,205,373)	(418,376)	-	(3,017,392)	43,745	(65,597,396)
Total Capital Assets Being Depreciated, Net	68,986,635	1,131,469	859,880	668,501	-	71,646,485
Business-Type Activities Capital Assets, Net	\$ 106,006,878	\$ 9,701,966	\$ -	\$ 10,948,749	\$ -	\$ 126,657,593

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 \$321.91 per acre foot. Refer to Note 4 for further details of transactions with California Domestic Water Company.

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

Governmental Activities:

City:

General government	\$ 722,941
Public safety	660,580
Community services	440,722
Public works	<u>6,181,164</u>

Total city	<u>8,005,407</u>
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Internal service:

Information technology	125,637
Vehicle maintenance	680,077
Building occupancy	<u>135,417</u>

Total internal service	<u>941,131</u>
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Total governmental activities	<u>\$ 8,946,538</u>
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Business-Type Activities:

Water utility	\$ 2,403,475
Sewer utility	533,158
Golf	<u>80,759</u>

Total business-type activities	<u>\$ 3,017,392</u>
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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, 2021, 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	597,095	-	(295,873)	301,222	301,222
Compensated absences	2,689,136	2,986,171	(2,798,799)	2,876,508	2,157,381
Claims and judgments	4,722,594	2,652,368	(2,066,531)	5,308,431	1,857,951
Totals	\$ 10,768,825	\$ 5,638,539	\$ (5,161,203)	\$ 11,246,161	\$ 4,316,554

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, 2021, the reserve amount was \$262,772.

The outstanding balance at June 30, 2021, was \$2,760,000.

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

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 188,108	\$ 188,108
2023	-	188,108	188,108
2024	-	188,108	188,108
2025	-	188,108	188,108
2026	-	188,108	188,108
2027-2031	1,770,000	776,232	2,546,232
2032-2036	990,000	216,503	1,206,503
Total	<u>\$ 2,760,000</u>	<u>\$ 1,933,275</u>	<u>\$ 4,693,275</u>

Capital Leases

In August 2015, the City entered into an 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 \$153,321, 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, 2021, was \$301,222.

The assets acquired through capital lease is as follows:

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

Combined future capital lease payments are as follows:

<u>Year Ending June 30:</u>	<u>Total</u>
2022	\$ 305,288
Total	<u>305,288</u>
Less: amount representing interest	<u>(4,066)</u>
Present value of net minimum lease payments	<u>\$ 301,222</u>

b. Business-Type Activities Long-Term Liabilities

A summary of changes in business-type activities long-term debt for the year ended June 30, 2021 is noted below:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Water Revenue Bonds:					
2014 Water Revenue Bonds	\$ 16,965,000	\$ -	\$ (15,310,000)	\$ 1,655,000	\$ 385,000
2019 Water Revenue Bonds	23,475,000	-	(865,000)	22,610,000	800,000
2020 Water Revenue Bonds	-	17,960,000	-	17,960,000	365,000
Compensated absences	254,035	191,560	(208,042)	237,553	178,165
Totals	<u>\$ 40,694,035</u>	<u>\$ 18,151,560</u>	<u>\$ (16,383,042)</u>	42,462,553	<u>\$ 1,728,165</u>
			Unamortized bond premium	<u>3,829,015</u>	
				<u>\$ 46,291,568</u>	

Water Revenue Bonds

2014 Water Revenue Bonds

In August 2014, the Brea Community Benefit Financing Authority issued \$18,555,000 of 2014 Water Revenue Bonds. The proceeds were 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 2014 Water Revenue Bonds were partially refunded by the 2020 Water Revenue Refunding Bonds. The outstanding balance at June 30, 2021, was \$1,655,000.

2019 Water Revenue Refunding Bonds

In August 2019, the City of Brea issued \$23,475,000 of 2019 Water Revenue Refunding Bonds with interest rates ranging from 3.0% to 4.0%. The proceeds from the bonds were used to current refund all of the remaining outstanding 2009 Water Revenue Bonds and advance refund 2010 Series B Water Revenue Bonds. Interest on the Water Revenue Refunding Bonds is payable semi-annually on July 1 and January 1 of each year until 2039. Principal matures annually on July 1.

2020 Water Revenue Refunding Bonds

In October 2020, the City of Brea issued \$17,960,000 of 2020 Water Revenue Refunding Bonds with interest rates ranging from 0.391% to 3.212%. The proceeds from the bonds were used to current refund a portion of the remaining outstanding 2014 Water Revenue Bonds. Interest on the Water Revenue Refunding Bonds is payable semi-annually on July 1 and January 1 of each year until 2044. Principal matures annually on July 1. The net proceeds of \$17,864,812 (including an underwriter's discount of \$95,188) were deposited in an irrevocable trust with an escrow agent to provide funds to refund the 2014 bonds in full and to provide funds for the future debt service payment on the 2014 bonds. As a result, the 2014 bonds are partially defeased, and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,180,220. This amount is reported as deferred outflow and is being amortized over the remaining life of the refunding debt. The City completed the advance refunding of the 2014 bonds to reduce its total debt service payments by 1,412,355 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$979,032.

Water Revenue Bonds Debt Coverage Requirement

The City has covenanted that gross revenues (including interest revenue and 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, 2021, were \$23,512,550. Operation and maintenance costs for the year ended June 30, 2021, were \$15,881,851, excluding depreciation. This resulted in a debt coverage ratio of 3.17 for the year ended June 30, 2021.

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, 2021 was \$58,550,833.

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

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,550,000	\$ 1,444,367	\$ 2,994,367
2023	1,470,000	1,392,488	2,862,488
2024	1,530,000	1,333,505	2,863,505
2025	1,615,000	1,264,292	2,879,292
2026	1,700,000	1,199,946	2,899,946
2027-2031	9,660,000	4,999,446	14,659,446
2032-2036	11,420,000	3,138,574	14,558,574
2037-2041	9,120,000	1,280,677	10,400,677
2042-2045	4,160,000	272,538	4,432,538
Total	\$ 42,225,000	\$ 16,325,833	\$ 58,550,833

Compensated Absences

The Governmental Activities' liability, at June 30, 2021, will be paid in future years from the General Fund, Vehicle Maintenance Fund, and Building Occupancy Fund in amounts of \$2,761,714, \$43,218, and \$71,576 respectively. The Business-Type Activities liability at June 30, 2021 will be paid in future years from the enterprise funds. Total compensated absences at June 30, 2021, were \$3,114,061.

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 custodial 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 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 in September 2021, with remaining annual installments of \$225,000. The annual interest rate on the bonds is 2.580%. The outstanding balance at June 30, 2021, was \$225,000.

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 \$210,000 to \$575,000. The remaining interest rates on the bonds range from 2.000% to 4.000%. The outstanding balance at June 30, 2021, was \$7,740,000.

In August 2019, the Brea Public Financing Authority issued Local Agency Revenue Refunding Bonds, Series 2019, in the amount of \$6,820,000, for and on behalf of the City of Brea Community Facilities District No. 1997-1 (Olinda Heights Public Improvements). 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 Communities Facilities District No. 1997-1; 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). A portion of the proceeds was for a current refunding of the 2005 Series A Local Agency Revenue Bonds. The bonds mature from 2020 to 2035, with remaining annual installments ranging from \$215,000 to \$680,000 per year. The interest rates on the bonds range from 3.000% to 5.000%. The outstanding balance at June 30, 2021 was \$6,355,000.

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.

	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 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%	6.250%
Required employer contribution rates	8.823%	8.823%	6.326%

* 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 monthly for life minimum 50 years	5 years service monthly for life minimum 50 years	5 years service monthly for life minimum 50 years	5 years service monthly for life minimum 50 years
Benefit payments				
Retirement age				
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%	11.250%
Required employer contribution rates	19.349%	19.349%	19.349%	18.320%

* Closed to new entrants

c. Employees Covered

At the June 30, 2019 valuation, the following employees were covered by the benefit terms of the Plans:

	Number of members	
	Miscellaneous Plan	Safety Plan
Inactive employees or beneficiaries currently receiving benefits	181	100
Inactive employees entitled to not yet receiving benefits	287	72
Active employees	<u>325</u>	<u>218</u>
	<u>793</u>	<u>390</u>

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, 2021 were \$3,578,109 and \$9,453,973 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, 2019 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020
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 includes Inflation.	7.15% Net of Pension Plan Investment 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.

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:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
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. 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.

g. Changes in the Net Pension Liability

The changes in Net Pension Liability for each Plan follows:

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2019	\$ 151,944,575	\$ 111,140,688	\$ 40,803,887
Changes in the year:			
Service Cost	2,377,727	-	2,377,727
Interest on the total pension liability	10,517,185	-	10,517,185
Differences between expected and actual experience	(2,276,288)	-	(2,276,288)
Contribution - employer	-	3,946,996	(3,946,996)
Contribution - employee	-	1,078,029	(1,078,029)
Net Investment Income	-	5,601,590	(5,601,590)
Benefit payments, including refunds of employee contributions	(7,527,291)	(7,527,291)	-
Administrative expense	-	(156,681)	156,681
Net changes	<u>3,091,333</u>	<u>2,942,643</u>	<u>148,690</u>
Balance at June 30, 2020	<u>\$ 155,035,908</u>	<u>\$ 114,083,331</u>	<u>\$ 40,952,577</u>
Safety Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2019	\$ 270,173,742	\$ 177,078,406	\$ 93,095,336
Changes in the year:			
Service Cost	3,203,351	-	3,203,351
Interest on the total pension liability	18,915,355	-	18,915,355
Differences between expected and actual experience	(31,244)	-	(31,244)
Contribution - employer	-	7,928,182	(7,928,182)
Contribution - employee	-	1,219,554	(1,219,554)
Net Investment Income	-	8,890,536	(8,890,536)
Benefit payments, including refunds of employee contributions	(14,387,531)	(14,387,531)	-
Administrative expenses	-	(249,637)	249,637
Net changes	<u>7,699,931</u>	<u>3,401,104</u>	<u>4,298,827</u>
Balance at June 30, 2020	<u>\$ 277,873,673</u>	<u>\$ 180,479,510</u>	<u>\$ 97,394,163</u>

h. 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	\$ 60,862,071	\$ 40,952,577	\$ 24,415,551
Safety Plan's net pension liability	133,357,003	97,394,163	67,685,015
Total Net Pension Liability	\$ 194,219,074	\$ 138,346,740	\$ 92,100,566

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.

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

For the year ended June 30, 2021, the City recognized pension expense of \$4,867,046 for the Miscellaneous Plan and \$11,013,604 for the Safety Plan. As of June 30, 2021, 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
<u>Miscellaneous Plan</u>		
Contributions made after the measurement date	\$ 3,578,109	\$ -
Difference between expected and actual experience	264,729	(1,327,835)
Net difference between projected and actual earnings on pension plan investments	821,356	-
Miscellaneous Plan Total	4,664,194	(1,327,835)
<u>Safety Plan</u>		
Contributions made after the measurement date	9,453,973	-
Difference between expected and actual experience	1,117,138	(20,470)
Net difference between projected and actual earnings on pension plan investments	1,169,485	-
Safety Plan Total	11,740,596	(20,470)
Total	\$ 16,404,790	\$ (1,348,305)

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 \$3,578,109 and \$9,453,973 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, 2022. 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, 2020 measurement date, the expected average remaining service lifetime is 2.4 years for the Miscellaneous Plan and 2.9 years for the Safety Plan. Deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal year ending June 30,</u>	<u>Miscellaneous Plan Deferred Outflows/(Inflows) of Resources</u>	<u>Safety Plan Deferred Outflows/(Inflows) of Resources</u>	<u>Total Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (1,163,454)	\$ 283,103	\$ (880,351)
2023	(94,656)	391,894	297,238
2024	568,922	877,200	1,446,122
2025	447,438	713,956	1,161,394
Total	<u>\$ (241,750)</u>	<u>\$ 2,266,153</u>	<u>\$ 2,024,403</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.

c. Employees Covered by Benefit Terms

At June 30, 2019, the most recent valuation date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	291
Inactive employees or beneficiaries currently receiving benefits	230
Inactive employees entitled to, but not yet receiving benefits	86
Total	607

d. Total OPEB Liability

The City's total OPEB liability of \$30,255,880 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019. 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, 2019 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	2.21%
Inflation	2.75%
Payroll Growth	3.00%
Mortality	(1)
Healthcare Trend Rate	Non-Medicare 7.25% and Medicare 6.3% decreased to 4.0% Non-Medicare and 4.0% Medicare in 2076 and later years
PEMHCA	4.25% annually
Participation at Retirement	Actives: 78% decreasing to 60% over 22 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, 2020.

e. Changes of Assumptions

For the June 30, 2020 measurement date, the discount rate was changed from 3.50% to 2.21%.

f. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2020	\$ 25,131,999
Changes in the year:	
Service Cost	787,934
Interest	884,296
Changes in assumptions	4,760,345
Benefit payments, including refunds of employee contributions	(1,308,694)
Net changes	5,123,881
Balance at June 30, 2021	\$ 30,255,880

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 (1.21 percent) or 1 percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 35,040,991	\$ 30,255,880	\$ 26,452,160

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 (6.25/5.3 to 3%)	Healthcare Cost Trend Rate	1% Increase (8.25/7.3 to 5%)
Total OPEB Liability	\$ 27,566,409	\$ 30,255,880	\$ 34,512,625

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$1,749,020. At June 30, 2021, 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	\$ 1,249,898	\$ -
Changes in assumptions	4,633,175	1,351,668
Differences between actual and expected experience	-	1,415,335
	<u>\$ 5,883,073</u>	<u>\$ 2,767,003</u>
Total	<u>\$ 5,883,073</u>	<u>\$ 2,767,003</u>

\$1,249,898 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, 2022. 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
2022	\$ 71,366
2023	71,366
2024	392,432
2025	589,884
2026	741,124
	<u>741,124</u>
Total	<u>\$ 1,866,172</u>

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, 2021, 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.

At June 30, 2021, \$5,308,431 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, 2021, 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, 2019	\$ 5,140,925
Claims payments	(1,462,889)
Claims incurred and changes in estimates	<u>1,044,558</u>
Claims and judgments at June 30, 2020	4,722,594
Claims payments	(2,066,531)
Claims incurred and changes in estimates	<u>2,652,368</u>
Claims and judgments at June 30, 2021	<u><u>\$ 5,308,431</u></u>

Note 12 - Fund Balance Classifications

Fund balances in the governmental funds as of June 30, 2021, have been classified as follows:

	General	Special Revenue Fund Housing Successor	Capital Projects Fund Capital Improvements	Non-major Governmental Funds	Total
Nonspendable:					
Prepaid items	\$ 14,960	\$ -	\$ -	\$ -	\$ 14,960
Total nonspendable	<u>14,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,960</u>
Restricted:					
Prop 172	486,050	-	-	-	486,050
COPS	75,695	-	-	-	75,695
Lighting and maintenance districts	359,015	-	-	-	359,015
Low and moderate income housing asset	-	20,677,236	-	-	20,677,236
Gas tax	-	-	-	3,185,654	3,185,654
Narcotic enforcement asset seizure	-	-	-	348,310	348,310
Air quality improvement	-	-	-	442,684	442,684
Park development	-	-	-	2,501,083	2,501,083
Measure M	-	-	-	1,527,021	1,527,021
Affordable housing trust	-	-	-	3,394,388	3,394,388
Blackstone CFD	-	-	-	2,081,934	2,081,934
La Floresta CFD	-	-	-	339,428	339,428
Taylor-Morrison CFD	-	-	-	139,274	139,274
Central Park Village CFD	-	-	-	123,950	123,950
Development Fund	-	-	-	335,314	335,314
Capital and mitigation improvement	-	-	-	3,777,682	3,777,682
Storm drain	-	-	-	352,211	352,211
Debt service	262,773	-	-	-	262,773
Capital projects	-	-	6,818,979	-	6,818,979
Pension stabilization	10,154,130	-	-	-	10,154,130
Total restricted	<u>11,337,663</u>	<u>20,677,236</u>	<u>6,818,979</u>	<u>18,548,933</u>	<u>57,382,811</u>
Committed:					
General Plan maintenance fee	1,376,485	-	-	-	1,376,485
Brea War Memorial	12,508	-	-	-	12,508
Total committed	<u>1,388,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,388,993</u>
Assigned to:					
Community Benefit and Economic Development	5,167,248	-	-	-	5,167,248
OPEB fund	155,102	-	-	-	155,102
Community center	890,060	-	-	-	890,060
Capital asset replacement	5,701,619	-	-	-	5,701,619
Total assigned	<u>11,914,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,914,029</u>
Unassigned	29,410,655	-	-	(152,390)	29,258,265
Total	<u>\$ 54,066,300</u>	<u>\$ 20,677,236</u>	<u>\$ 6,818,979</u>	<u>\$ 18,396,543</u>	<u>\$ 99,959,058</u>

Note 13 - Construction and Other Significant Commitments

The following material construction and other significant commitments existed at June 30, 2021:

Project Name	Contract Amount	Expenditures to date as of June 30, 2021	Remaining Commitments
Capital Improvements Fund:			
57 Freeway & Lambert Road Interchange Improvement Project	\$ 10,967,368	\$ 8,415,216	\$ 2,552,152
Eagle Hills Water Main Replacement	2,753,509	233,500	2,520,009
Puente Street Rehabilitation and Water Main Replacement	3,170,161	1,174,101	1,996,060
Citywide Sewer Improvements	514,824	180,604	334,220
Total	<u>\$ 17,405,862</u>	<u>\$ 10,003,421</u>	<u>\$ 7,402,441</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, 2021, \$1,356,326 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.

Note 15 - Jointly Governed Organizations

Integrated Law and Justice Agency of Orange County (ILJAO)

The City is a member of the Integrated Law and Justice Agency of Orange County (ILJAO), along with 24 other cities and local law enforcement agencies. The purpose of ILJAO 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 ILJAO. Therefore, the activities of ILJAO are reported as a custodial fund of the City. During the year ended June 30, 2021, the City paid \$13,662 to ILJAO for its share of operating and replacement costs. Separately prepared financial statements for ILJAO are available on the City's website.

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	\$ 183,588
Cash and investments with fiscal agents	<u>13,263,843</u>
	<u><u>\$ 13,447,431</u></u>

b. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2021, follows:

	Beginning Balance	Accretion	Repayments	Ending Balance	Due Within One Year
Tax Allocation Bonds					
2003 Tax Allocation Bonds	\$ 13,959,515	\$ 731,926	\$ -	\$ 14,691,441	\$ -
2013 Tax Allocation Bonds	52,895,000	-	(7,990,000)	44,905,000	8,395,000
2016 Tax Allocation Bonds Series A	7,330,000	-	(955,000)	6,375,000	990,000
2016 Tax Allocation Bonds Series B	1,095,000	-	(150,000)	945,000	150,000
2017 Tax Allocation Bonds Series A	33,786,577	442,342	-	34,228,919	-
2017 Tax Allocation Bonds Series B	<u>12,230,000</u>	<u>-</u>	<u>(390,000)</u>	<u>11,840,000</u>	<u>395,000</u>
Subtotal - Tax Allocation Bonds	<u>121,296,092</u>	<u>1,174,268</u>	<u>(9,485,000)</u>	<u>112,985,360</u>	<u>9,930,000</u>
Lease Revenue Bonds					
2004 Refunding Lease Revenue Bonds	675,000	-	(330,000)	345,000	345,000
2010 Refunding Lease Revenue Bonds	<u>1,995,000</u>	<u>-</u>	<u>(980,000)</u>	<u>1,015,000</u>	<u>1,015,000</u>
Subtotal -Lease Revenue Bonds	<u>2,670,000</u>	<u>-</u>	<u>(1,310,000)</u>	<u>1,360,000</u>	<u>1,360,000</u>
Total	<u>\$ 123,966,092</u>	<u>\$ 1,174,268</u>	<u>\$ (10,795,000)</u>	<u>\$ 114,345,360</u>	<u>\$ 11,290,000</u>
				<u>7,658,849</u>	
				<u><u>\$ 122,004,209</u></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 Brea Redevelopment Agency 1993 Tax Allocation Refunding Bonds, 2) pay the costs of additional redevelopment activities with respect to Project Area AB, 3) pay the cost of a reserve fund security instrument, and 4) pay costs of issuance related to the bonds.

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

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

A financial guaranty insurance policy has been issued and, accordingly, no cash reserve balance is required. Bond payments are secured by a first pledge on all of the tax revenues on parity with the 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, 2021, was \$14,691,441.

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%.

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, 2021, was \$44,905,000.

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, 2021 was \$6,375,000.

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, 2021 was \$945,000.

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 its 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.

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, 2021 was \$34,228,919.

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, 2021 was \$11,840,000.

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 2013 bonds.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 9,930,000	\$ 3,454,913	\$ 13,384,913
2023	10,310,000	2,986,038	13,296,038
2024	11,051,615	2,904,388	13,956,003
2025	10,015,000	2,847,194	12,862,194
2026	10,795,000	2,412,156	13,207,156
2027-2031	36,951,441	7,522,940	44,474,381
2032-2036	23,812,304	2,853,209	26,665,513
2037	120,000	38,550	158,550
Total	\$ 112,985,360	\$ 25,019,388	\$ 138,004,748

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 \$138,004,748, 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 \$16,804,012 and the debt service obligation was \$13,394,338.

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, 2021 was \$345,000.

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.

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, 2021 was \$1,015,000.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,360,000	\$ 27,631	\$ 1,387,631
Total	<u>\$ 1,360,000</u>	<u>\$ 27,631</u>	<u>\$ 1,387,631</u>

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 \$1,387,631 with annual debt service requirements as indicated above. For the current year, the General Fund contribution was \$1,3691,669 and total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$16,804,012. The debt service obligation on the lease revenue bonds for the current year was \$1,391,669.

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 bondholders 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, 2021, was \$3,488,383 for Series A-1.

c. Insurance

The Successor Agency of the former Redevelopment Agency is covered under the insurance policy of the City of Brea at June 30, 2021.

d. 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, 2021, was \$1,720,395. Future minimum payments for the remaining years are estimated as follows:

Year Ending June 30,	Amount
2022	\$ 1,768,673
Total	\$ 1,768,673

e. Deficit Net Position

As of June 30, 2021, the Agency had a deficit net position of \$103,191,127. This will be reduced with future receipt of distributions from the Redevelopment Property Tax Trust Fund from the County.

Note 17 - Prior Period Adjustment

a. Adoption of Accounting Principle

The City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. The adoption resulted in a restatement to the Custodial Funds beginning fiduciary net position.

Fiduciary Funds Financial Statements			
Fiduciary Funds	2020 Previously Presented	Restatement	2020 Restated
Statement of Fiduciary Net Position:			
Due to external parties / other agencies	\$ 6,243,184	\$ (6,243,184)	\$ -
Fiduciary net position	-	6,243,184	6,243,184

b. Transfer of assets, closing of funds, and correction of an error

During the fiscal year, the City determined that the contribution of assets in previous years from a developer could be used to establish a golf course. As such, the City transferred the capital assets associated with the golf course to a new Golf Course Enterprise Fund. The City had also closed the Midbury Assessment Authority Debt Service Fund due to no more debt held by the Authority. Additionally, the City received allocations of taxes associated with the former redevelopment agency from the County that was applicable to the prior year.

Government-Wide Financial Statements			
Governmental Activities	2020 Previously Presented	Restatement	2020 Restated
Statement of Net Position:			
General revenues - taxes		\$ 4,939,366	\$ 4,939,366
Investment income		41,472	41,472
Capital assets, non depreciated	\$ 21,871,240	(8,570,497)	13,300,743
Capital assets, net of accumulated depreciation	120,490,758	(1,131,469)	119,359,289
Net Position, Governmental Activities	\$ 184,454,166	\$ (4,721,128)	\$ 179,733,038
Business-Type Activities			
Statement of Net Position:			
Capital assets, non depreciated	\$ 37,020,243	\$ 8,570,497	\$ 45,590,740
Capital assets, net of accumulated depreciation	68,986,635	1,131,469	70,118,104
Net Position, Business-Type Activities	\$ 92,373,674	\$ 9,701,966	\$ 102,075,640

Governmental Funds Financial Statements

Governmental Funds	2020 Previously Presented	Restatement	2020 Restated
General Fund:			
Taxes		\$ 4,939,366	\$ 4,939,366
Investment income		41,472	41,472
Other		1,791	1,791
General Fund Fund balances, end of year	\$ 41,938,908	<u>\$ 4,982,629</u>	<u>\$ 46,921,537</u>
Nonmajor Governmental Funds	<u>\$ 19,542,820</u>	<u>\$ (1,791)</u>	<u>\$ 19,541,029</u>

Non-Major Enterprise Funds Financial Statements

Non-Major Enterprise Funds	2020 Previously Presented	Restatement	2020 Restated
Golf Course:			
Combining Statement of Net Position:			
Land		\$ 8,570,497	\$ 8,570,497
Structures and improvements		1,319,268	1,319,268
Equipment		230,577	230,577
Structures and improvements accumulated depreciation		(330,347)	(330,347)
Equipment accumulated depreciation		<u>(88,029)</u>	<u>(88,029)</u>
Net position end of year:	(5,280,324)	<u>\$ 9,701,966</u>	<u>\$ 4,421,642</u>

Note 18 - Subsequent Event

In July 2021, the Brea Public Financing Authority issued \$2,220,000 of 2021 Refunding Lease Revenue Refunding Bonds with interest rates ranging from 1.5% to 2.1%. The proceeds from the bonds will be used to defease and refund the outstanding 2010 Lease Revenue Bonds. Annual debt service will range from \$63,640 to \$499,200 until April 1, 2036. The resulting refunding will result in a net present value savings of \$623,615.

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Required Supplementary Information

City of Brea, California
Schedule of Changes in the Net Pension Liability and Related Ratios – Miscellaneous Plan
Last Ten Years*
Years Ended June 30,

	2021	2020	2019	2018
Total pension liability				
Service cost	\$ 2,377,727	\$ 2,331,399	\$ 2,447,787	\$ 2,355,806
Interest on the total pension liability	10,517,185	10,290,427	9,781,021	9,338,038
Differences between actual and expected experience	(2,276,288)	1,588,377	1,347,129	(972,574)
Changes in assumptions	-	-	(670,255)	7,763,702
Benefit payments, including refunds of employee contributions	(7,527,291)	(6,867,189)	(6,401,688)	(6,040,591)
Net change in total pension liability	<u>3,091,333</u>	<u>7,343,014</u>	<u>6,503,994</u>	<u>12,444,381</u>
Total pension liability- beginning	<u>151,944,575</u>	<u>144,601,561</u>	<u>138,097,567</u>	<u>125,653,186</u>
Total pension liability- ending (a)	<u>\$ 155,035,908</u>	<u>\$ 151,944,575</u>	<u>\$ 144,601,561</u>	<u>\$ 138,097,567</u>
Plan fiduciary net position				
Net plan to plan resource movement	\$ -	\$ -	\$ 8,966	\$ (68,950)
Contributions- employer	3,946,996	3,351,489	2,943,356	2,810,705
Contributions- employee	1,078,029	1,063,078	1,141,012	1,135,787
Net investment income	5,601,590	6,920,527	8,532,272	10,371,791
Benefit payments, including refunds of employee contributions	(7,527,291)	(6,867,189)	(6,401,688)	(6,040,591)
Administrative expense	(156,681)	(76,178)	(157,356)	(137,174)
Other miscellaneous income/(expense)	-	248	(298,822)	-
Net change in plan fiduciary net position	<u>2,942,643</u>	<u>4,391,975</u>	<u>5,767,740</u>	<u>8,071,568</u>
Plan fiduciary net position- beginning	<u>111,140,688</u>	<u>106,748,713</u>	<u>100,980,973</u>	<u>92,909,405</u>
Plan fiduciary net position- ending (b)	<u>\$ 114,083,331</u>	<u>\$ 111,140,688</u>	<u>\$ 106,748,713</u>	<u>\$ 100,980,973</u>
Net pension liability - beginning	\$ 40,803,887	\$ 37,852,848	\$ 37,116,594	\$ 32,743,781
Net pension liability- ending (a) - (b)	\$ 40,952,577	\$ 40,803,887	\$ 37,852,848	\$ 37,116,594
Plan fiduciary net position as a percentage of the total pension liability	73.59%	73.15%	73.82%	73.12%
Covered payroll	\$ 15,083,837	\$ 15,187,853	\$ 15,773,914	\$ 16,716,903
Net pension liability as percentage of covered payroll	271.50%	268.66%	239.97%	222.03%
Measurement period	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

* 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%. 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, 2018, 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
Schedule of Changes in the Net Pension Liability and Related Ratios – Miscellaneous Plan
Last Ten Years*
Years Ended June 30, 2021

	2017	2016	2015
Total pension liability			
Service cost	\$ 2,046,427	\$ 2,062,984	\$ 2,192,940
Interest on the total pension liability	9,044,787	8,692,445	8,386,263
Differences between actual and expected experience	(950,961)	(1,784,268)	-
Changes in assumptions	-	(2,142,611)	-
Benefit payments, including refunds of employee contributions	(5,294,666)	(5,086,167)	(4,468,721)
Net change in total pension liability	<u>4,845,587</u>	<u>1,742,383</u>	<u>6,110,482</u>
Total pension liability- beginning	<u>120,807,599</u>	<u>119,065,216</u>	<u>112,954,734</u>
Total pension liability- ending (a)	<u>\$ 125,653,186</u>	<u>\$ 120,807,599</u>	<u>\$ 119,065,216</u>
Plan fiduciary net position			
Net plan to plan resource movement	\$ -	\$ -	\$ -
Contributions- employer	2,403,298	2,132,083	1,969,185
Contributions- employee	1,071,389	1,087,960	1,140,919
Net investment income	510,663	2,130,803	14,101,824
Benefit payments, including refunds of employee contributions	(5,294,666)	(5,086,167)	(4,468,721)
Administrative expense	(57,456)	(106,071)	-
Other miscellaneous income/(expense)	-	-	-
Net change in plan fiduciary net position	<u>(1,366,772)</u>	<u>158,608</u>	<u>12,743,207</u>
Plan fiduciary net position- beginning	<u>94,276,177</u>	<u>94,117,569</u>	<u>81,374,362</u>
Plan fiduciary net position- ending (b)	<u>\$ 92,909,405</u>	<u>\$ 94,276,177</u>	<u>\$ 94,117,569</u>
Net pension liability - beginning	\$ 26,372,814	\$ 24,947,647	\$ 24,947,647
Net pension liability- ending (a) - (b)	\$ 32,743,781	\$ 26,531,422	\$ 24,947,647
Plan fiduciary net position as a percentage of the total pension liability	73.94%	78.04%	79.05%
Covered payroll	\$ 15,474,119	\$ 15,043,603	\$ 14,843,300
Net pension liability as percentage of covered payroll	211.60%	176.36%	168.07%
Measurement period	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%. 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, 2018, 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
Schedule of Changes in the Net Pension Liability and Related Ratios – Safety Plan
Last Ten Years*
Years Ended June 30, 2021

	2021	2020	2019	2018
Total pension liability				
Service cost	\$ 3,203,351	\$ 3,263,982	\$ 3,257,422	\$ 3,216,910
Interest	18,915,355	18,359,943	17,527,382	16,994,058
Difference between expected and actual experience	(31,244)	3,599,666	(224,664)	(2,374,086)
Changes in assumptions	-	-	(743,259)	14,075,011
Benefit payments, including refunds of employee contributions	(14,387,531)	(13,201,232)	(12,285,824)	(11,322,632)
Net change in total pension liability	7,699,931	12,022,359	7,531,057	20,589,261
Total pension liability- beginning	270,173,742	258,151,383	250,620,326	230,031,065
Total pension liability- ending (a)	\$ 277,873,673	\$ 270,173,742	\$ 258,151,383	\$ 250,620,326
Plan fiduciary net position				
Net plan to plan resource movement	\$ -	\$ -	\$ (9,613)	\$ 68,950
Contributions- employer	7,928,182	6,943,831	6,122,219	5,562,362
Contributions- employee	1,219,554	1,090,070	1,117,627	1,103,737
Net investment income	8,890,536	11,226,191	13,829,770	16,755,962
Benefit payments, including refunds of employee contributions	(14,387,531)	(13,201,232)	(12,285,824)	(11,322,632)
Administrative expenses	(249,637)	(122,130)	(254,161)	(223,176)
	-	399	(482,656)	-
Net change in plan fiduciary net position	3,401,104	5,937,129	8,037,362	11,945,203
Plan fiduciary net position- beginning	177,078,406	171,141,277	163,103,915	151,158,712
Plan fiduciary net position- ending (b)	\$ 180,479,510	\$ 177,078,406	\$ 171,141,277	\$ 163,103,915
Net pension liability- ending (a) - (b)	\$ 97,394,163	\$ 93,095,336	\$ 87,010,106	\$ 87,516,411
Plan fiduciary net position as a percentage of the total pension liability	64.95%	65.54%	66.29%	65.08%
Covered payroll	\$ 11,367,662	\$ 11,724,815	\$ 11,688,892	\$ 10,703,998
Net pension liability as percentage of covered payroll	856.77%	794.00%	744.38%	817.60%
Measurement period	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

* 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%. 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, 2018, 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
Schedule of Changes in the Net Pension Liability and Related Ratios – Safety Plan
Last Ten Years*
Years Ended June 30, 2021

	2017	2016	2015
Total pension liability			
Service cost	\$ 2,745,588	\$ 2,865,433	\$ 3,080,297
Interest	16,654,242	16,223,231	15,749,580
Difference between expected and actual experience	(2,403,349)	(2,307,435)	-
Changes in assumptions	-	(3,994,113)	-
Benefit payments, including refunds of employee contributions	(11,396,941)	(10,585,623)	(10,108,174)
Net change in total pension liability	5,599,540	2,201,493	8,721,703
Total pension liability- beginning	224,431,525	222,230,032	213,508,329
Total pension liability- ending (a)	<u>\$ 230,031,065</u>	<u>\$ 224,431,525</u>	<u>\$ 222,230,032</u>
Plan fiduciary net position			
Net plan to plan resource movement	\$ -	\$ -	\$ -
Contributions- employer	4,627,179	3,591,767	3,655,839
Contributions- employee	973,955	1,084,088	1,024,137
Net investment income	746,473	3,517,885	24,058,889
Benefit payments, including refunds of employee contributions	(11,396,941)	(10,585,623)	(10,108,174)
Administrative expenses	(95,259)	(175,877)	-
	-	-	-
Net change in plan fiduciary net position	(5,144,593)	(2,567,760)	18,630,691
Plan fiduciary net position- beginning	156,303,305	158,871,065	140,240,374
Plan fiduciary net position- ending (b)	<u>\$ 151,158,712</u>	<u>\$ 156,303,305</u>	<u>\$ 158,871,065</u>
Net pension liability- ending (a) - (b)	\$ 78,872,353	\$ 68,128,220	\$ 63,358,967
Plan fiduciary net position as a percentage of the total pension liability	65.71%	69.64%	71.49%
Covered payroll	\$ 10,168,516	\$ 9,980,447	\$ 9,919,059
Net pension liability as percentage of covered payroll	775.65%	682.62%	638.76%
Measurement period	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%. 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, 2018, 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
Schedule of Plan Contributions – Miscellaneous and Safety Plans
Last Ten Years*
Years Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Miscellaneous plan				
Actuarially determined contributions	\$ 3,578,109	\$ 3,228,649	\$ 2,802,915	\$ 2,433,536
Contributions in relation to the actuarially determined contribution	<u>(3,578,109)</u>	<u>(3,228,649)</u>	<u>(2,802,915)</u>	<u>(2,433,536)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 15,083,837	\$ 15,618,412	\$ 15,187,853	\$ 15,773,914
Contributions as a percentage of covered payroll	23.72%	20.67%	18.45%	15.43%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Safety plan				
Actuarially determined contributions	\$ 9,453,973	\$ 8,657,724	\$ 7,500,416	\$ 6,573,125
Contributions in relation to the actuarially determined contribution	<u>(9,453,973)</u>	<u>(8,657,724)</u>	<u>(7,500,416)</u>	<u>(6,573,125)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 11,367,662	\$ 11,736,459	\$ 11,724,815	\$ 11,688,892
Contributions as a percentage of covered payroll	83.17%	73.77%	63.97%	56.23%

* fiscal year 2015 was the first year of implementation.

Notes to schedule:
Miscellaneous and Safety Plans

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	7.375%, net of pension plan investment and administrative expenses, including inflation.
Retirement age	

The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2015.

City of Brea, California
Schedule of Plan Contributions – Miscellaneous and Safety Plans
Last Ten Years*
Year Ended June 30, 2021

	2017	2016	2015	2014
Miscellaneous plan				
Actuarially determined contributions	\$ 2,279,397	\$ 2,403,298	\$ 2,132,083	\$ 1,969,185
Contributions in relation to the actuarially determined contribution	<u>(2,279,397)</u>	<u>(2,403,298)</u>	<u>(2,132,083)</u>	<u>(1,969,185)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 16,716,903	\$ 15,474,119	\$ 15,043,603	\$ 14,843,300
Contributions as a percentage of covered payroll	13.64%	15.53%	14.17%	13.27%
	2017	2016	2015	2014
Safety plan				
Actuarially determined contributions	\$ 5,863,082	\$ 4,627,179	\$ 3,591,767	\$ 3,655,839
Contributions in relation to the actuarially determined contribution	<u>(5,863,082)</u>	<u>(4,627,179)</u>	<u>(3,591,767)</u>	<u>(3,655,839)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 10,703,998	\$ 10,168,516	\$ 9,980,447	\$ 9,919,059
Contributions as a percentage of covered payroll	54.77%	45.50%	35.99%	36.86%

* fiscal year 2015 was the first year of implementation.

**Notes to schedule:
Miscellaneous and Safety Plans**

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	7.375%, net of pension plan investment and administrative expenses, including inflation.
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2015.

City of Brea, California
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Ten Years*
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 787,934	\$849,287	\$ 882,455	\$ 1,020,496
Interest on the total OPEB liability	884,296	1,000,101	936,624	801,573
Differences between actual and expected experience	-	(2,073,628)	-	-
Changes in assumptions	4,760,345	976,091	(908,163)	(2,488,279)
Benefit payments, including refunds of employee contributions	(1,308,694)	(1,225,956)	(1,170,100)	(1,146,800)
Net change in total OPEB liability	5,123,881	(474,105)	(259,184)	(1,813,010)
Total OPEB liability - beginning	25,131,999	25,606,104	25,865,288	27,678,298
Total OPEB liability - ending	<u>\$ 30,255,880</u>	<u>\$ 25,131,999</u>	<u>\$ 25,606,104</u>	<u>\$ 25,865,288</u>
Covered-employee payroll	\$ 27,571,820	\$ 27,001,678	\$ 27,465,185	\$ 33,837,681
Total OPEB liability as a percentage of covered-employee payroll	109.73%	93.08%	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.

City of Brea, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –
General Fund
Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 44,472,486	\$ 42,839,841	\$ 44,769,138	\$ 1,929,297
Licenses and permits	520,746	605,076	451,865	(153,211)
Intergovernmental	8,807,110	10,201,724	15,377,259	5,175,535
Charges for services	3,700,516	1,984,497	1,758,530	(225,967)
Investment income, net	631,936	631,936	2,302,488	1,670,552
Fines and forfeitures	513,400	377,900	279,487	(98,413)
Rental income	1,258,206	906,606	896,057	(10,549)
Miscellaneous	3,734,529	3,822,299	3,506,041	(316,258)
Total revenues	<u>63,638,929</u>	<u>61,369,879</u>	<u>69,340,865</u>	<u>7,970,986</u>
Expenditures:				
Current:				
General government				
City Management	3,015,111	2,892,832	2,547,814	345,018
Administrative Services	4,157,924	4,165,445	4,150,031	15,414
Public safety				
Police	24,431,440	23,789,720	23,163,420	626,300
Fire	14,300,298	15,618,672	15,118,449	500,223
Community development	2,984,496	3,298,623	2,745,297	553,326
Community services	7,796,412	6,832,350	6,607,980	224,370
Public works	5,938,106	6,000,659	5,857,242	143,417
Capital outlay	235,578	1,285,485	166,596	1,118,889
Debt service:				
Principal retirement	295,873	295,873	295,873	-
Interest and fiscal charges	197,523	197,523	197,523	-
Total expenditures	<u>63,352,761</u>	<u>64,377,182</u>	<u>60,850,225</u>	<u>3,526,957</u>
Excess (deficiency) of revenues over(under) expenditures	<u>286,168</u>	<u>(3,007,303)</u>	<u>8,490,640</u>	<u>11,497,943</u>
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	8,659	8,659	11,601	2,942
Transfers in	450,000	450,000	450,000	-
Transfers out	(704,200)	(4,787,994)	(1,807,478)	2,980,516
Total other financing sources (uses)	<u>(245,541)</u>	<u>(4,329,335)</u>	<u>(1,345,877)</u>	<u>2,983,458</u>
Net change in Fund Balance	<u>\$ 40,627</u>	<u>\$ (7,336,638)</u>	<u>7,144,763</u>	<u>\$ 14,481,401</u>
Fund Balance at Beginning of the Year, as restated			<u>46,921,537</u>	
Fund Balance at End of the Year			<u>\$ 54,066,300</u>	

City of Brea, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –
Housing Successor Fund
Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Investment income, net	\$ 217,000	\$ 217,000	\$ 27,904	\$ (189,096)
Other revenues	43,300	43,300	62,805	19,505
Total revenues	<u>260,300</u>	<u>260,300</u>	<u>90,709</u>	<u>(169,591)</u>
Expenditures:				
Current:				
Community Development	<u>375,886</u>	<u>375,886</u>	<u>256,996</u>	<u>118,890</u>
Excess (deficiency) of revenues Over(under) expenditures	<u>(115,586)</u>	<u>(115,586)</u>	<u>(166,287)</u>	<u>50,701</u>
Net Change in Fund Balance	<u>\$ (115,586)</u>	<u>\$ (115,586)</u>	<u>(166,287)</u>	<u>\$ (50,701)</u>
Fund Balance at Beginning of the Year			<u>20,843,523</u>	
Fund Balance at End of the Year			<u>\$ 20,677,236</u>	

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 not 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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Capital Projects Fund

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.

City of Brea, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –
Capital Improvement Fund
Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 11,208,085	\$ 1,187,440	\$ (10,020,645)
Charges for services	310,077	312,183	162,096	(150,087)
Investment income, net	145,250	145,250	32,080	(113,170)
Other revenues	12,100	219,446	20,870	(198,576)
	<u>467,427</u>	<u>11,884,964</u>	<u>1,402,486</u>	<u>(10,482,478)</u>
Total revenues				
Expenditures:				
Current:				
General government	132,566	443,656	78,771	364,885
Public safety	409,963	409,963	282,018	127,945
Capital outlay	14,424,538	64,944,462	10,923,739	54,020,723
	<u>14,967,067</u>	<u>65,798,081</u>	<u>11,284,528</u>	<u>54,513,553</u>
Total expenditures				
	<u>14,967,067</u>	<u>65,798,081</u>	<u>11,284,528</u>	<u>54,513,553</u>
Excess (deficiency) of revenues over(under) expenditures	<u>(14,499,640)</u>	<u>(53,913,117)</u>	<u>(9,882,042)</u>	<u>44,031,075</u>
Other Financing Sources (Uses):				
Transfers in	14,424,538	53,529,031	6,792,983	(46,736,048)
Transfer out	(177,538)	(6,159,476)	-	6,159,476
	<u>14,247,000</u>	<u>47,369,555</u>	<u>6,792,983</u>	<u>(40,576,572)</u>
Total other financing sources (uses)				
	<u>14,247,000</u>	<u>47,369,555</u>	<u>6,792,983</u>	<u>(40,576,572)</u>
Net Change in Fund Balance	<u>\$ (252,640)</u>	<u>\$ (6,543,562)</u>	<u>(3,089,059)</u>	<u>\$ 3,454,503</u>
Fund Balance at Beginning of the Year			<u>9,908,038</u>	
Fund Balance at End of the Year			<u>\$ 6,818,979</u>	

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.

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 (CFD) 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 CFD 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 CFD 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 CFD 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.

Development Fund

This fund is used to account for the receipt and expenditure of developer fees.

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, 2021

	Special Revenue Funds			
		Narcotics		
	Gas Tax	Enforcement Asset Seizure	Air Quality Improvement	Park Development
Assets:				
Cash and investments	\$ 2,988,347	\$ 331,836	\$ 427,534	\$ 2,501,083
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Notes and loans	-	-	-	-
Due from other governments	197,307	16,474	15,150	-
Total assets	\$ 3,185,654	\$ 348,310	\$ 442,684	\$ 2,501,083
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Fund balances (deficit):				
Restricted:				
Community development projects	-	-	-	-
Public safety	-	348,310	-	-
Public works	3,185,654	-	442,684	-
Capital projects	-	-	-	2,501,083
Unassigned	-	-	-	-
Total fund balances (deficit)	3,185,654	348,310	442,684	2,501,083
Total liabilities, deferred inflows of resources and fund balances	\$ 3,185,654	\$ 348,310	\$ 442,684	\$ 2,501,083

(continued)

City of Brea, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

	Special Revenue Funds			
	Measure M	Affordable Housing Trust	Community Development Block Grant	HOME Program
Assets:				
Cash and investments	\$ 1,353,633	\$ 3,282,192	\$ -	\$ -
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Notes and loans	-	112,196	1,347,798	35,241
Due from other governments	173,851	-	158,235	-
	<u>173,851</u>	<u>-</u>	<u>158,235</u>	<u>-</u>
Total assets	<u>\$ 1,527,484</u>	<u>\$ 3,394,388</u>	<u>\$ 1,506,033</u>	<u>\$ 35,241</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 190	\$ -	\$ 30,380	\$ -
Accrued liabilities	273	-	-	-
Unearned revenues	-	-	-	-
Due to other governments	-	-	1,347,798	35,241
Due to other funds	-	-	173,145	-
	<u>-</u>	<u>-</u>	<u>173,145</u>	<u>-</u>
Total liabilities	<u>463</u>	<u>-</u>	<u>1,551,323</u>	<u>35,241</u>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	107,100	-
	<u>-</u>	<u>-</u>	<u>107,100</u>	<u>-</u>
Fund balances (deficit):				
Restricted:				
Community development projects	-	3,394,388	-	-
Public safety	-	-	-	-
Public works	1,527,021	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	(152,390)	-
	<u>-</u>	<u>-</u>	<u>(152,390)</u>	<u>-</u>
Total fund balances (deficit)	<u>1,527,021</u>	<u>3,394,388</u>	<u>(152,390)</u>	<u>-</u>
	<u>\$ 1,527,484</u>	<u>\$ 3,394,388</u>	<u>\$ 1,506,033</u>	<u>\$ 35,241</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,527,484</u>	<u>\$ 3,394,388</u>	<u>\$ 1,506,033</u>	<u>\$ 35,241</u>

(continued)

City of Brea, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

	Special Revenue Funds			
	Blackstone CFD	La Floresta CFD	Taylor - Morrison CFD	Central Park Village CFD
Assets:				
Cash and investments	\$ 2,064,403	\$ 341,037	\$ 138,959	\$ 124,207
Receivables:				
Taxes	27,983	6,220	880	401
Accounts	-	-	-	-
Notes and loans	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 2,092,386</u>	<u>\$ 347,257</u>	<u>\$ 139,839</u>	<u>\$ 124,608</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,495	\$ 1,060	\$ -	\$ -
Accrued liabilities	7,957	6,769	565	658
Unearned revenues	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>10,452</u>	<u>7,829</u>	<u>565</u>	<u>658</u>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Fund balances (deficit):				
Restricted:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	2,081,934	339,428	139,274	123,950
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficit)	<u>2,081,934</u>	<u>339,428</u>	<u>139,274</u>	<u>123,950</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,092,386</u>	<u>\$ 347,257</u>	<u>\$ 139,839</u>	<u>\$ 124,608</u>

(continued)

City of Brea, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

	Special Revenue Funds	Capital Projects Funds		Total Nonmajor Governmental Funds
	Development Fund	Capital and Mitigation Improvement	Storm Drain	
Assets:				
Cash and investments	\$ 1,412,468	\$ 3,777,682	\$ 352,211	\$ 19,095,592
Receivables:				
Taxes	-	-	-	35,484
Accounts	5,069	-	-	5,069
Notes and loans	-	-	-	1,495,235
Due from other governments	-	-	-	561,017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,417,537</u>	<u>\$ 3,777,682</u>	<u>\$ 352,211</u>	<u>\$ 21,192,397</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 31,184	\$ -	\$ -	\$ 65,309
Accrued liabilities	-	-	-	16,222
Unearned revenues	1,051,039	-	-	1,051,039
Due to other governments	-	-	-	1,383,039
Due to other funds	-	-	-	173,145
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,082,223</u>	<u>-</u>	<u>-</u>	<u>2,688,754</u>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	107,100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances (deficit):				
Restricted:				
Community development projects	-	-	-	3,394,388
Public safety	-	-	-	348,310
Public works	335,314	-	-	8,175,259
Capital projects	-	3,777,682	352,211	6,630,976
Unassigned	-	-	-	(152,390)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>335,314</u>	<u>3,777,682</u>	<u>352,211</u>	<u>18,396,543</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,417,537</u>	<u>\$ 3,777,682</u>	<u>\$ 352,211</u>	<u>\$ 21,192,397</u>

City of Brea, California
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2021

	Special Revenue Funds			
	Gas Tax	Narcotics Enforcement Asset Seizure	Air Quality Improvement	Park Development
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,892,753	-	73,855	-
Charges for services	-	-	-	305,130
Investment income, net	4,814	(1,544)	116	741
Fines and forfeitures	-	270,984	-	-
Other revenues	-	13,368	-	-
Total revenues	<u>1,897,567</u>	<u>282,808</u>	<u>73,971</u>	<u>305,871</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	55,460	-	-
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>-</u>	<u>55,460</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,897,567</u>	<u>227,348</u>	<u>73,971</u>	<u>305,871</u>
Other Financing Sources (Uses):				
Transfers out	<u>(2,135,441)</u>	-	-	-
Net Change in Fund Balances	(237,874)	227,348	73,971	305,871
Fund Balances (Deficit), Beginning of Year	<u>3,423,528</u>	<u>120,962</u>	<u>368,713</u>	<u>2,195,212</u>
Fund Balances (Deficit), End of Year	<u>\$ 3,185,654</u>	<u>\$ 348,310</u>	<u>\$ 442,684</u>	<u>\$ 2,501,083</u>

(continued)

City of Brea, California
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2021

	Special Revenue Funds			
	Measure M	Affordable Housing Trust	Community Development Block Grant	HOME Program
Revenues:				
Taxes	\$ 1,036,157	\$ -	\$ -	\$ -
Intergovernmental	-	-	194,122	-
Charges for services	-	-	-	-
Investment income, net	10,604	3,124	-	-
Fines and forfeitures	-	-	-	-
Other revenues	-	292,729	-	-
Total revenues	<u>1,046,761</u>	<u>295,853</u>	<u>194,122</u>	<u>-</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	39,878	144,536	-
Public works	52,544	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>52,544</u>	<u>39,878</u>	<u>144,536</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>994,217</u>	<u>255,975</u>	<u>49,586</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers out	<u>(2,578,248)</u>	<u>-</u>	<u>(103,575)</u>	<u>-</u>
Net Change in Fund Balances	(1,584,031)	255,975	(53,989)	-
Fund Balances (Deficit), Beginning of Year	<u>3,111,052</u>	<u>3,138,413</u>	<u>(98,401)</u>	<u>-</u>
Fund Balances (Deficit), End of Year	<u>\$ 1,527,021</u>	<u>\$ 3,394,388</u>	<u>\$ (152,390)</u>	<u>\$ -</u>

(continued)

City of Brea, California
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2021

	Special Revenue Funds			
	Blackstone CFD	La Floresta CFD	Taylor- Morrison CFD	Central Park Village CFD
Revenues:				
Taxes	\$ 828,485	\$ 475,494	\$ 49,999	\$ 108,266
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment income, net	2,768	(415)	38	(239)
Fines and forfeitures	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>831,253</u>	<u>475,079</u>	<u>50,037</u>	<u>108,027</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	541,145	363,819	41,674	57,333
Community development	-	-	-	-
Public works	275,767	33,232	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>816,912</u>	<u>397,051</u>	<u>41,674</u>	<u>57,333</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,341</u>	<u>78,028</u>	<u>8,363</u>	<u>50,694</u>
Other Financing Sources (Uses):				
Transfers out	-	-	-	-
Net Change in Fund Balances	14,341	78,028	8,363	50,694
Fund Balances (Deficit), Beginning of Year	<u>2,067,593</u>	<u>261,400</u>	<u>130,911</u>	<u>73,256</u>
Fund Balances (Deficit), End of Year	<u>\$ 2,081,934</u>	<u>\$ 339,428</u>	<u>\$ 139,274</u>	<u>\$ 123,950</u>

(continued)

City of Brea, California
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2021

	Special Revenue Funds	Capital Projects Funds		Total Nonmajor Governmental Funds
	Development Fund	Capital and Mitigation Improvement	Storm Drain	
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 2,498,401
Intergovernmental	-	-	-	2,160,730
Charges for services	-	-	-	305,130
Investment income, net	-	4,057	326	24,390
Fines and forfeitures	-	-	-	270,984
Other revenues	346,165	-	-	652,262
Total revenues	<u>346,165</u>	<u>4,057</u>	<u>326</u>	<u>5,911,897</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	1,059,431
Community development	-	-	-	184,414
Public works	10,851	-	-	372,394
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>10,851</u>	<u>-</u>	<u>-</u>	<u>1,616,239</u>
Excess (deficiency) of revenues over (under) expenditures	<u>335,314</u>	<u>4,057</u>	<u>326</u>	<u>4,295,658</u>
Other Financing Sources (Uses):				
Transfers out	-	(622,880)	-	(5,440,144)
Net Change in Fund Balances	335,314	(618,823)	326	(1,144,486)
Fund Balances (Deficit), Beginning of Year	-	4,396,505	351,885	19,541,029
Fund Balances (Deficit), End of Year	<u>\$ 335,314</u>	<u>\$ 3,777,682</u>	<u>\$ 352,211</u>	<u>\$ 18,396,543</u>

City of Brea, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Gas Tax Special Revenue Fund
Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 2,028,291	\$ 2,028,291	\$ 1,892,753	\$ (135,538)
Investment income, net	18,700	18,700	4,814	(13,886)
Total revenues	<u>2,046,991</u>	<u>2,046,991</u>	<u>1,897,567</u>	<u>(149,424)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(1,335,000)</u>	<u>(4,201,647)</u>	<u>(2,135,441)</u>	<u>2,066,206</u>
Net Change in Fund Balance	<u>\$ 711,991</u>	<u>\$ (2,154,656)</u>	(237,874)	<u>\$ 1,916,782</u>
Fund Balance at Beginning of the Year			<u>3,423,528</u>	
Fund Balance at End of the Year			<u>\$ 3,185,654</u>	

City of Brea, California
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Narcotics Enforcement Asset Seizure Special Revenue Fund
 Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Investment income, net	\$ 1,050	\$ 1,050	\$ (1,544)	\$ (2,594)
Fines and forfeitures	5,000	129,550	270,984	141,434
Miscellaneous	-	-	13,368	13,368
Total revenues	<u>6,050</u>	<u>130,600</u>	<u>282,808</u>	<u>152,208</u>
Expenditures:				
Current:				
Public safety	<u>57,609</u>	<u>132,609</u>	<u>55,460</u>	<u>77,149</u>
Net Change in Fund Balance	<u>\$ (51,559)</u>	<u>\$ (2,009)</u>	227,348	<u>\$ 229,357</u>
Fund Balance at Beginning of the Year			<u>120,962</u>	
Fund Balance at End of the Year			<u>\$ 348,310</u>	

City of Brea, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Air Quality Improvement Special Revenue Fund
Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 56,000	\$ 56,000	\$ 73,855	\$ 17,855
Investment income, net	3,500	3,500	116	(3,384)
Total revenues	<u>59,500</u>	<u>59,500</u>	<u>73,971</u>	<u>14,471</u>
Expenditures:				
General government	-	381,000	-	381,000
Net Change in Fund Balance	<u>\$ 59,500</u>	<u>\$ 440,500</u>	73,971	<u>\$ 395,471</u>
Fund Balance at Beginning of the Year			<u>368,713</u>	
Fund Balance at End of the Year			<u>\$ 442,684</u>	

City of Brea, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Park Development Special Revenue Fund
Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 305,130	\$ 305,130	\$ 305,130	\$ -
Investment income, net	25,000	25,000	741	(24,259)
Total revenues	<u>330,130</u>	<u>330,130</u>	<u>305,871</u>	<u>(24,259)</u>
Excess of revenues over expenditures	<u>330,130</u>	<u>330,130</u>	<u>305,871</u>	<u>(24,259)</u>
Other Financing Sources (Uses):				
Transfers out	<u>-</u>	<u>(274,009)</u>	<u>-</u>	<u>274,009</u>
Net Change in Fund Balance	<u>\$ 330,130</u>	<u>\$ 56,121</u>	305,871	<u>\$ 249,750</u>
Fund Balance at Beginning of the Year			<u>2,195,212</u>	
Fund Balance at End of the Year			<u>\$ 2,501,083</u>	

City of Brea, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Measure M Special Revenue Fund
Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,050,465	\$ 1,050,465	\$ 1,036,157	\$ (14,308)
Investment income, net	14,000	14,000	10,604	(3,396)
Total revenues	<u>1,064,465</u>	<u>1,064,465</u>	<u>1,046,761</u>	<u>(17,704)</u>
Expenditures:				
Current:				
Public works	<u>42,203</u>	<u>77,203</u>	<u>52,544</u>	<u>24,659</u>
Excess (deficiency) of revenues over(under) expenditures	<u>1,022,262</u>	<u>987,262</u>	<u>994,217</u>	<u>(6,955)</u>
Other financing sources (uses):				
Transfers out	<u>(2,520,000)</u>	<u>(3,888,439)</u>	<u>(2,578,248)</u>	<u>1,310,191</u>
Net Change in Fund Balance	<u>\$ (1,497,738)</u>	<u>\$ (2,901,177)</u>	(1,584,031)	<u>\$ 1,303,236</u>
Fund Balance at Beginning of the Year			<u>3,111,052</u>	
Fund Balance at End of the Year			<u>\$ 1,527,021</u>	

City of Brea, California
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Affordable Housing Trust Special Revenue Fund
 Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Investment income, net	\$ 25,000	\$ 25,000	\$ 3,124	\$ (21,876)
Other revenues	<u>433,333</u>	<u>433,333</u>	<u>292,729</u>	<u>(140,604)</u>
Total revenues	<u>458,333</u>	<u>458,333</u>	<u>295,853</u>	<u>(162,480)</u>
Expenditures:				
Current:				
Community development	<u>45,720</u>	<u>45,720</u>	<u>39,878</u>	<u>5,842</u>
Net change in fund balance	<u>\$ 412,613</u>	<u>\$ 412,613</u>	255,975	<u>\$ (156,638)</u>
Fund balance at beginning of the year			<u>3,138,413</u>	
Fund balance at end of the year			<u>\$ 3,394,388</u>	

City of Brea, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Community Development Block Grant Special Revenue Fund
Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 340,000	\$ 530,000	\$ 194,122	\$ (335,878)
Total revenues	<u>340,000</u>	<u>530,000</u>	<u>194,122</u>	<u>(335,878)</u>
Expenditures:				
Current:				
Community development	<u>180,000</u>	<u>314,213</u>	<u>144,536</u>	<u>169,677</u>
Excess (deficiency) of revenues over(under) expenditures	<u>160,000</u>	<u>215,787</u>	<u>49,586</u>	<u>(166,201)</u>
Other financing sources (uses):				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(103,575)</u>	<u>46,425</u>
Net Change in Fund Balance	<u>\$ 10,000</u>	<u>\$ 65,787</u>	(53,989)	<u>\$ (119,776)</u>
Fund Balance at Beginning of the Year			<u>(98,401)</u>	
Fund Balance at End of the Year			<u>\$ (152,390)</u>	

City of Brea, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Blackstone CFD Special Revenue Fund
Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 827,930	\$ 827,930	\$ 828,485	\$ 555
Investment income, net	34,460	34,460	2,768	(31,692)
Total revenues	<u>862,390</u>	<u>862,390</u>	<u>831,253</u>	<u>(31,137)</u>
Expenditures:				
Current:				
Public safety	503,849	529,549	541,145	(11,596)
Public works	278,861	294,861	275,767	19,094
Total expenditures	<u>782,710</u>	<u>824,410</u>	<u>816,912</u>	<u>7,498</u>
Net change in fund balance	<u>\$ 79,680</u>	<u>\$ 37,980</u>	14,341	<u>\$ (23,639)</u>
Fund balance at beginning of the year			<u>2,067,593</u>	
Fund balance at end of the year			<u>\$ 2,081,934</u>	

City of Brea, California
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 La Floresta CFD Special Revenue Fund
 Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 434,000	\$ 434,000	\$ 475,494	\$ 41,494
Investment income, net	2,940	2,940	(415)	(3,355)
Total revenues	<u>436,940</u>	<u>436,940</u>	<u>475,079</u>	<u>38,139</u>
Expenditures:				
Current:				
Public safety	329,327	346,558	363,819	(17,261)
Public works	50,493	50,493	33,232	17,261
Total expenditures	<u>379,820</u>	<u>397,051</u>	<u>397,051</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 57,120</u>	<u>\$ 39,889</u>	78,028	<u>\$ 38,139</u>
Fund Balance at Beginning of the Year			<u>261,400</u>	
Fund Balance at End of the Year			<u>\$ 339,428</u>	

City of Brea, California
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Taylor-Morrison CFD Special Revenue Fund
 Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Taxes	\$ 50,150	\$ 50,150	\$ 49,999	\$ (151)
Investment income, net	1,110	1,110	38	(1,072)
Total revenues	51,260	51,260	50,037	(1,223)
Expenditures:				
Current:				
Public safety	37,888	41,676	41,674	2
Total expenditures	37,888	41,676	41,674	2
Net Change in Fund Balance	\$ 51,260	\$ 51,260	8,363	\$ 42,897
Fund Balance at Beginning of the Year			130,911	
Fund Balance at End of the Year			\$ 139,274	

City of Brea, California
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Central Park Village CFD Special Revenue Fund
 Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 45,600	\$ 45,600	\$ 108,266	\$ 62,666
Investment income, net	300	300	(239)	(539)
Total revenues	45,900	45,900	108,027	62,127
Expenditures:				
Current:				
Public safety	51,162	57,332	57,333	(1)
Net Change in Fund Balance	\$ 45,900	\$ 45,900	50,694	\$ (4,794)
Fund Balance at Beginning of the Year			73,256	
Fund Balance at End of the Year			\$ 123,950	

City of Brea, California
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Development Fund Special Revenue Fund
 Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 346,165	346,165
Total revenues	-	-	346,165	346,165
Charges to Appropriations (Outflow):				
Public works	-	-	10,851	(10,851)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	335,314	<u>\$ 335,314</u>
Fund Balance at Beginning of the Year			-	
Fund Balance at End of the Year			<u>\$ 335,314</u>	

City of Brea, California
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Capital and Mitigation Improvement Capital Projects Fund
 Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Investment income, net	\$ 75,000	\$ 75,000	\$ 4,057	\$ (70,943)
Total revenues	<u>75,000</u>	<u>75,000</u>	<u>4,057</u>	<u>(70,943)</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>(646,100)</u>	<u>(622,880)</u>	<u>23,220</u>
Net change in fund balance	<u>\$ 75,000</u>	<u>\$ (571,100)</u>	<u>(618,823)</u>	<u>\$ (47,723)</u>
Fund balance at beginning of the year			<u>4,396,505</u>	
Fund balance at end of the year			<u>\$ 3,777,682</u>	

City of Brea, California
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Storm Drain Capital Projects Fund
 Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Investment income, net	\$ 4,000	\$ 4,000	\$ 326	\$ (3,674)
Net Change in Fund Balance	<u>\$ 4,000</u>	<u>\$ 4,000</u>	326	<u>\$ (3,674)</u>
Fund Balance at Beginning of the Year			<u>351,885</u>	
Fund Balance at End of the Year			<u>\$ 352,211</u>	

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.

Golf Course Fund

This fund is used to account for the operations of the Birch Hills and Brea Creek Golf Courses.

City of Brea, California
Combining Statement of Net Position
Non-Major Enterprise Funds
June 30, 2021

	Urban Runoff	Sanitation	Information Technology External Support	Golf Course	Total
Assets:					
Current assets:					
Cash and investments	\$ 744,506	\$ 169,594	\$ 297,677	\$ 1,451,113	\$ 2,662,890
Accounts receivable	73,527	688,921	180,882	-	943,330
Due from other governments	-	11,371	-	-	11,371
Total current assets	<u>818,033</u>	<u>869,886</u>	<u>478,559</u>	<u>1,451,113</u>	<u>3,617,591</u>
Noncurrent:					
Restricted cash and investments	19,485	-	240,726	-	260,211
Capital assets - nondepreciable	-	-	-	8,570,497	8,570,497
Capital assets - net of accumulated depreciation	-	-	-	1,362,478	1,362,478
Total noncurrent assets	<u>19,485</u>	<u>-</u>	<u>240,726</u>	<u>9,932,975</u>	<u>10,193,186</u>
Total assets	<u>837,518</u>	<u>869,886</u>	<u>719,285</u>	<u>11,384,088</u>	<u>13,810,777</u>
Deferred outflows of resources:					
Deferred pension related items	23,876	102,956	301,894	25	428,751
Deferred OPEB related items	14,092	50,534	153,458	-	218,084
Total deferred outflows of resources	<u>37,968</u>	<u>153,490</u>	<u>455,352</u>	<u>25</u>	<u>646,835</u>
Total assets and deferred outflows of resources	<u>\$ 875,486</u>	<u>\$ 1,023,376</u>	<u>\$ 1,174,637</u>	<u>\$ 11,384,113</u>	<u>\$ 14,457,612</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 17,166	\$ 246,563	\$ 1,942	\$ 339,786	\$ 605,457
Accrued liabilities	1,365	5,409	9,965	141	16,880
Due to other funds	-	397,513	-	-	397,513
Compensated absences, due within one year	-	6,031	45,848	-	51,879
Total current liabilities	<u>18,531</u>	<u>655,516</u>	<u>57,755</u>	<u>339,927</u>	<u>1,071,729</u>
Noncurrent:					
Compensated absences, due in more than one year	-	2,010	15,283	-	17,293
Net pension liability	326,616	2,213,698	2,813,080	-	5,353,394
Total OPEB liability	72,238	293,511	1,219,665	-	1,585,414
Total noncurrent liabilities	<u>398,854</u>	<u>2,509,219</u>	<u>4,048,028</u>	<u>-</u>	<u>6,956,101</u>
Total liabilities	<u>417,385</u>	<u>3,164,735</u>	<u>4,105,783</u>	<u>339,927</u>	<u>8,027,830</u>
Deferred inflows of resources:					
Deferred pension related items	36,813	383,546	(30,775)	-	389,584
Deferred OPEB related items	6,922	30,081	120,319	-	157,322
Total deferred inflows of resources	<u>43,735</u>	<u>413,627</u>	<u>89,544</u>	<u>-</u>	<u>546,906</u>
Net position (deficit):					
Net investment in capital assets	-	-	-	9,932,975	9,932,975
Unrestricted	414,366	(2,554,986)	(3,020,690)	1,111,211	(4,050,099)
Total net position (deficit)	<u>\$ 414,366</u>	<u>\$ (2,554,986)</u>	<u>\$ (3,020,690)</u>	<u>\$ 11,044,186</u>	<u>\$ 5,882,876</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 875,486</u>	<u>\$ 1,023,376</u>	<u>\$ 1,174,637</u>	<u>\$ 11,384,113</u>	<u>\$ 14,457,612</u>

City of Brea, California
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-Major Enterprise Funds
Year Ended June 30, 2021

	Urban Runoff	Sanitation	Information Technology External Support	Golf Course	Total
Operating revenues:					
Charges for services	\$ 457,301	\$ 3,222,342	\$ 1,051,148	\$ 4,311,190	\$ 9,041,981
Fines and forfeitures	17	-	-	-	17
Other revenues	60	127,638	-	255	127,953
Total operating revenues	457,378	3,349,980	1,051,148	4,311,445	9,169,951
Operating expenses:					
Personnel services	160,194	676,870	910,468	99	1,747,631
Maintenance and operation	227,135	2,981,204	108,069	2,803,435	6,119,843
Depreciation	-	-	-	80,759	80,759
Total operating expenses	387,329	3,658,074	1,018,537	2,884,293	7,948,233
Operating income (loss)	70,049	(308,094)	32,611	1,427,152	1,221,718
Nonoperating revenues (expenses):					
Intergovernmental revenues	-	22,888	-	-	22,888
Interest revenues (expense)	2,270	49	16,141	(3,877)	14,583
Total nonoperating revenues (expenses)	2,270	22,937	16,141	(3,877)	37,471
Income (loss) before contributions and transfers	72,319	(285,157)	48,752	1,423,275	1,259,189
Transfers:					
Transfers in	-	366,888	-	-	366,888
Transfers out	(83,788)	-	-	(81,055)	(164,843)
Change in Net Position	(11,469)	81,731	48,752	1,342,220	1,461,234
Net Position (Deficit) at Beginning of Year, as restated	425,835	(2,636,717)	(3,069,442)	9,701,966	4,421,642
Net Position (Deficit) at End of Year	\$ 414,366	\$ (2,554,986)	\$ (3,020,690)	\$ 11,044,186	\$ 5,882,876

City of Brea, California
Combining Statement of Cash Flows
Non-Major Enterprise Funds
Year Ended June 30, 2021

	Urban Runoff	Sanitation	Information Technology External Support	Golf Course	Total
Operating Activities:					
Cash received from customers and users	\$ 455,602	\$ 3,339,828	\$ 1,023,646	\$ 4,311,445	\$ 9,130,521
Cash payments to suppliers for goods and services	(223,139)	(3,067,248)	(98,979)	339,927	(3,049,439)
Cash payments to employees for services	(156,220)	(504,796)	(890,240)	(2,803,559)	(4,354,815)
Net Cash Provided by (used for) Operating Activities	76,243	(232,216)	34,427	1,847,813	1,726,267
Capital relate financing activities					
Acquisition of capital assets	-	-	-	(311,768)	(311,768)
Net Cash Provided by (used for) Noncapital Financing Activities	-	-	-	(311,768)	(311,768)
Non-Capital Financing Activities:					
Cash transfers out	(83,788)	-	-	-	(83,788)
Cash transfers in	-	366,888	-	(81,055)	285,833
Intergovernmental revenues	-	22,888	-	-	22,888
Net Cash Provided by (used for) Noncapital Financing Activities	(83,788)	389,776	-	(81,055)	224,933
Investing activities:					
Interest received	2,270	49	16,141	(3,877)	14,583
Net cash provided by (used for) investing activities	2,270	49	16,141	(3,877)	14,583
Net Increase (Decrease) in Cash and Cash Equivalents	(5,275)	157,609	50,568	1,451,113	1,654,015
Cash and Cash Equivalents at Beginning of Year	769,266	11,985	487,835	-	1,269,086
Cash and Cash Equivalents at End of Year	\$ 763,991	\$ 169,594	\$ 538,403	\$ 1,451,113	\$ 2,923,101
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:					
Operating income (loss)	\$ 70,049	\$ (308,094)	\$ 32,611	\$ 1,427,152	\$ 1,221,718
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	-	-	-	80,759	80,759
(Increase) decrease in accounts receivable	(1,776)	(10,152)	(27,502)	-	(39,430)
(Decrease) increase in accounts payable	2,631	(91,453)	(875)	339,786	250,089
(Decrease) in accrued liabilities	1,365	5,409	9,965	141	16,880
(Decrease) increase in due to other funds	-	155,887	-	-	155,887
(Decrease) increase in compensated absences	-	1,030	(16,983)	-	(15,953)
Net changes in pension related items	2,806	11,066	24,749	(25)	38,596
Net changes in OPEB related items	1,168	4,091	12,462	-	17,721
Total adjustments	6,194	75,878	1,816	420,661	504,549
Net cash provided by (used for) operating activities	\$ 76,243	\$ (232,216)	\$ 34,427	\$ 1,847,813	\$ 1,726,267

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, 2021

	Risk Management	Information Technology	Vehicle Replacement	Building Occupancy	Totals
Assets:					
Current assets:					
Cash and investments	\$ 6,976,695	\$ 1,039,761	\$ 1,666,315	\$ 1,424,257	\$ 11,107,028
Receivables:					
Accounts	192,490	761	37,516	-	230,767
Due from other governments	4,617	-	5,253	-	9,870
Total current assets	<u>7,173,802</u>	<u>1,040,522</u>	<u>1,709,084</u>	<u>1,424,257</u>	<u>11,347,665</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	-	659,465	3,696,804	1,209,304	5,565,573
Total noncurrent assets	<u>-</u>	<u>659,465</u>	<u>3,696,804</u>	<u>1,209,304</u>	<u>5,565,573</u>
Total assets	<u>7,173,802</u>	<u>1,699,987</u>	<u>5,405,888</u>	<u>2,633,561</u>	<u>16,913,238</u>
Deferred Outflows of Resources:					
Deferred pension related items	40,340	(33,253)	152,625	173,599	333,311
Deferred OPEB related items	26,920	216,558	83,504	107,813	434,795
Total deferred outflows of resources	<u>67,260</u>	<u>183,305</u>	<u>236,129</u>	<u>281,412</u>	<u>768,106</u>
Total assets and deferred outflows of resources	<u>\$ 7,241,062</u>	<u>\$ 1,883,292</u>	<u>\$ 5,642,017</u>	<u>\$ 2,914,973</u>	<u>\$ 17,681,344</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 17,071	\$ 25,037	\$ 83,347	\$ 111,850	\$ 237,305
Accrued liabilities	2,423	21,971	10,169	12,943	47,506
Compensated absences, due within one year	-	-	32,414	53,682	86,096
Claims and judgments, due within one year	1,857,951	-	-	-	1,857,951
Total current liabilities	<u>1,877,445</u>	<u>47,008</u>	<u>125,930</u>	<u>178,475</u>	<u>2,228,858</u>
Non-Current Liabilities:					
Compensated absences, due in more than one year	-	-	10,804	17,894	28,698
Claims and judgments, due in more than one year	3,450,480	-	-	-	3,450,480
Net pension liability	501,578	838,574	1,483,278	1,666,406	4,489,836
Total OPEB liability	144,145	1,255,383	426,937	531,489	2,357,954
Total non-current liabilities	<u>4,096,203</u>	<u>2,093,957</u>	<u>1,921,019</u>	<u>2,215,789</u>	<u>10,326,968</u>
Total liabilities	<u>5,973,648</u>	<u>2,140,965</u>	<u>2,046,949</u>	<u>2,394,264</u>	<u>12,555,826</u>
Deferred Inflows of Resources:					
Deferred pension related items	22,253	(27,354)	112,297	85,744	192,940
Deferred OPEB related items	12,984	83,174	39,167	48,693	184,018
Total deferred inflows of resources	<u>35,237</u>	<u>55,820</u>	<u>151,464</u>	<u>134,437</u>	<u>376,958</u>
Net Position:					
Net investment in capital assets	-	659,465	3,696,804	1,209,304	5,565,573
Unrestricted	1,232,177	(972,958)	(253,200)	(823,032)	(817,013)
Total net position	<u>\$ 1,232,177</u>	<u>\$ (313,493)</u>	<u>\$ 3,443,604</u>	<u>\$ 386,272</u>	<u>\$ 4,748,560</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,241,062</u>	<u>\$ 1,883,292</u>	<u>\$ 5,642,017</u>	<u>\$ 2,914,973</u>	<u>\$ 17,681,344</u>

City of Brea, California
Combining Statement of Revenues, Expenditures and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2021

	Risk Management	Information Technology	Vehicle Maintenance	Building Occupancy	Total
Operating Revenues:					
Charge for service	\$ 3,722,108	\$ 2,454,889	\$ 2,551,872	\$ 2,628,811	\$ 11,357,680
Other revenues	169,171	-	81,653	85,939	336,763
Total operating revenues	<u>3,891,279</u>	<u>2,454,889</u>	<u>2,633,525</u>	<u>2,714,750</u>	<u>11,694,443</u>
Operating Expenses:					
Personnel services	262,703	1,579,053	788,085	897,865	3,527,706
Maintenance and operation	1,293,690	803,079	1,263,403	1,420,393	4,780,565
Claims and judgements	2,722,171	-	-	-	2,722,171
Depreciation	-	125,637	680,077	135,417	941,131
Total operating expenses	<u>4,278,564</u>	<u>2,507,769</u>	<u>2,731,565</u>	<u>2,453,675</u>	<u>11,971,573</u>
Operating income (loss)	<u>(387,285)</u>	<u>(52,880)</u>	<u>(98,040)</u>	<u>261,075</u>	<u>(277,130)</u>
Nonoperating Revenues (Expenses):					
Intergovernmental	-	-	-	2,643	2,643
Interest revenue	(17,573)	337	413	(922)	(17,745)
Gain (loss) on disposal of capital assets	-	-	156,979	-	156,979
Total nonoperating revenues (expenses)	<u>(17,573)</u>	<u>337</u>	<u>157,392</u>	<u>1,721</u>	<u>141,877</u>
Change in net position	(404,858)	(52,543)	59,352	262,796	(135,253)
Net Position at Beginning of Year	<u>1,637,035</u>	<u>(260,950)</u>	<u>3,384,252</u>	<u>123,476</u>	<u>4,883,813</u>
Net Position at End of Year	<u>\$ 1,232,177</u>	<u>\$ (313,493)</u>	<u>\$ 3,443,604</u>	<u>\$ 386,272</u>	<u>\$ 4,748,560</u>

City of Brea, California
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2021

	Risk Management	Information Technology	Vehicle Maintenance	Building Occupancy	Total
Operating Activities:					
Cash received from users and departments	\$ 3,851,007	\$ 2,454,128	\$ 2,608,984	\$ 2,746,458	\$ 11,660,577
Cash payments to suppliers for goods and services	(1,309,905)	(680,396)	(1,152,255)	(1,355,791)	(4,498,347)
Cash payments to employees for services	(2,392,396)	(1,660,516)	(810,759)	(978,314)	(5,841,985)
Net Cash Provided by (used for) Operating Activities	148,706	113,216	645,970	412,353	1,320,245
Non-Capital Financing Activities:					
Intergovernmental revenues	-	-	-	2,643	2,643
Capital and Related Financing Activities:					
Acquisition and construction of capital assets	-	(56,857)	(296,815)	(24,622)	(378,294)
Investing Activities:					
Interest received	(17,573)	337	413	(922)	(17,745)
Net Increase (Decrease) in Cash and Cash Equivalents	131,133	56,696	349,568	389,452	926,849
Cash and Cash Equivalents at Beginning of Year	6,845,562	983,065	1,316,747	1,034,805	10,180,179
Cash and Cash Equivalents at End of Year	<u>\$ 6,976,695</u>	<u>\$ 1,039,761</u>	<u>\$ 1,666,315</u>	<u>\$ 1,424,257</u>	<u>\$ 11,107,028</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (387,285)	\$ (52,880)	\$ (98,040)	\$ 261,075	\$ (277,130)
Adjustments to reconcile operating income (loss) net cash provided by (used for) operating activities:					
Depreciation	-	125,637	680,077	135,417	941,131
(Increase) decrease in accounts receivable	(39,737)	(761)	(19,414)	-	(59,912)
(Increase) decrease in due from other governments	(535)	-	(5,127)	-	(5,662)
Increase (decrease) in accounts payable	(22,270)	(43,215)	45,382	(19,650)	(39,753)
Increase (decrease) in accrued liabilities	2,423	21,971	(16,637)	(47,712)	(39,955)
Increase (decrease) in claims and judgements	585,837	-	-	-	585,837
Increase (decrease) in compensated absences	-	-	34,283	51,358	85,641
Net changes in pension related items	7,998	44,188	18,433	22,817	93,436
Net changes in OPEB related items	2,275	18,276	7,013	9,048	36,612
Total adjustments	535,991	166,096	744,010	151,278	1,597,375
Net cash provided by (used for) operating activities	<u>\$ 148,706</u>	<u>\$ 113,216</u>	<u>\$ 645,970</u>	<u>\$ 412,353</u>	<u>\$ 1,320,245</u>

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 (ILJAO) 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 ILJAO.

City of Brea, California
Combining Balance Sheet
Custodial Funds
June 30, 2021

	Hillside Open Space Education Coalition	Downtown	Olinda Heights
Assets:			
Cash and investments	\$ 584,429	\$ 55,943	\$ 376,101
Receivables:			
Accounts	-	-	-
Taxes	-	16,431	7,279
Prepaid items	-	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	163,006	2
Capital assets:			
Capital assets, net of accumulated depreciation	-	-	-
	<u>584,429</u>	<u>235,380</u>	<u>383,382</u>
Liabilities:			
Accounts payable	-	3,001	-
Accrued liabilities	565,682	-	344
	<u>565,682</u>	<u>3,001</u>	<u>344</u>
Fiduciary Net Position:			
Restricted for outside parties	<u>\$ 18,747</u>	<u>\$ 232,379</u>	<u>\$ 383,038</u>

(continued)

City of Brea, California
Combining Balance Sheet
Custodial Funds
June 30, 2021

	Brea Plaza	ILJAO	Total
Assets:			
Cash and investments	\$ 439,248	\$ 4,583,874	\$ 6,039,595
Receivables:			
Accounts	-	3,610	3,610
Taxes	-	-	23,710
Prepaid items	-	22,336	22,336
Restricted assets:			
Cash and investments with fiscal agents	686,167	-	849,175
Capital assets:			
Capital assets, net of accumulated depreciation	-	6,851	6,851
Total assets	1,125,415	4,616,671	6,945,277
Liabilities:			
Accounts payable	46	180,491	183,538
Accrued liabilities	215	-	566,241
Total liabilities	261	180,491	749,779
Fiduciary Net Position:			
Restricted for outside parties	\$ 1,125,154	\$ 4,436,180	\$ 6,195,498

City of Brea, California
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
Year Ended June 30, 2021

	Hillside Open Space Education Coalition	Downtown	Olinda Heights
Additions			
Special assessment	\$ 405	\$ 83,290	\$ 403,760
Member Contributions	-	-	-
Interest income	539	(795)	(2,047)
Miscellaneous income	-	-	-
Total additions	<u>944</u>	<u>82,495</u>	<u>401,713</u>
Deductions			
Administrative	-	40,376	44,239
Principal payments	-	220,000	230,000
Interest expense	-	8,643	112,300
Capital expenses	-	-	-
Depreciation	-	-	-
Total deductions	<u>-</u>	<u>269,019</u>	<u>386,539</u>
Changes in fiduciary net position	944	(186,524)	15,174
Net position			
Beginning fiduciary net position, as restated	<u>17,803</u>	<u>418,903</u>	<u>367,864</u>
Ending fiduciary net position	<u>\$ 18,747</u>	<u>\$ 232,379</u>	<u>\$ 383,038</u>

(continued)

City of Brea, California
Combining Statement of Changes in Fiduciary Net Position (Continued)
Custodial Funds
Year Ended June 30, 2021

	Brea Plaza	ILJAO	Total
Additions			
Special assessment	\$ 539,850	\$ -	\$ 1,027,305
Member Contributions	-	1,229,733	1,229,733
Interest income	(4,985)	3,066	(4,222)
Miscellaneous income	-	58,281	58,281
	534,865	1,291,080	2,311,097
Deductions			
Administrative	25,713	1,015,661	1,125,989
Principal payments	210,000	-	660,000
Interest expense	299,469	-	420,412
Capital expenses	-	14,240	14,240
Depreciation	-	138,142	138,142
	535,182	1,168,043	2,358,783
Changes in fiduciary net position	(317)	123,037	(47,686)
Net position			
Beginning fiduciary net position, as restated	1,125,471	4,313,143	6,243,184
Ending fiduciary net position	\$ 1,125,154	\$ 4,436,180	\$ 6,195,498

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Statistical Section

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This part of the City of Brea’s annual comprehensive 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

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 annual financial comprehensive 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 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	Fiscal Year 2019-20	Fiscal Year 2020-21
Governmental Activities										
Net investment in capital assets	\$ 36,846,317	\$ 165,031,654	\$ 164,750,324	\$ 158,976,819	\$ 165,493,107	\$ 170,548,467	\$ 204,322,724	\$ 202,990,193	\$ 215,840,370	\$ 207,378,698
Restricted	26,596,796	53,379,627	48,418,876	56,883,753	54,629,374	52,867,078	52,729,420	44,544,588	59,862,606	54,549,469
Unrestricted	157,129,179	29,028,179	30,997,188	(64,027,907)	(58,217,717)	(57,154,376)	(76,701,929)	(69,878,160)	(91,248,810)	(79,700,500)
Total governmental activities net position	\$ 220,572,292	\$ 247,439,460	\$ 244,166,388	\$ 151,832,665	\$ 161,904,764	\$ 166,261,169	\$ 180,350,215	\$ 177,656,621	\$ 184,454,166	\$ 182,227,667
Business-type Activities										
Net investment of capital assets	\$ 36,107,809	\$ 36,804,832	\$ 31,396,904	\$ 33,367,826	\$ 33,174,074	\$ 42,091,695	\$ 58,347,144	\$ 55,408,764	\$ 61,114,088	\$ 82,853,705
Restricted	5,217,299	7,411,252	5,213,677	6,203,193	6,165,829	5,641,012	5,657,518	5,843,171	2,132,985	2,285,353
Unrestricted	7,695,077	6,023,885	19,603,041	8,603,346	12,637,920	14,392,925	15,322,371	26,097,664	29,126,601	22,809,445
Total business-type activities net position	\$ 49,020,185	\$ 50,239,969	\$ 56,213,622	\$ 48,174,365	\$ 51,977,823	\$ 62,125,632	\$ 79,327,033	\$ 87,349,599	\$ 92,373,674	\$ 107,948,503
Primary Government										
Net investment of capital assets	\$ 72,954,126	\$ 201,836,486	\$ 196,147,228	\$ 192,344,645	\$ 198,667,181	\$ 212,640,162	\$ 262,669,868	\$ 258,398,957	\$ 276,954,458	\$ 290,232,403
Restricted	31,814,095	60,790,879	53,632,553	63,086,946	60,795,203	58,508,090	58,386,938	50,387,759	61,995,591	56,834,822
Unrestricted	164,824,256	35,052,064	50,600,229	(55,424,561)	(45,579,797)	(42,761,451)	(61,379,558)	(43,780,496)	(62,122,209)	(56,891,055)
Total primary government net position	\$ 269,592,477	\$ 297,679,429	\$ 300,380,010	\$ 200,007,030	\$ 213,882,587	\$ 228,386,801	\$ 259,677,248	\$ 265,006,220	\$ 276,827,840	\$ 290,176,170

CITY OF BREA

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

	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	Fiscal Year 2019-20	Fiscal Year 2020-21
Expenses:										
Governmental activities:										
General government	\$ 9,747,589	\$ 7,495,185	\$ 7,352,190	\$ 7,569,787	\$ 7,297,652	\$ 7,758,276	\$ 6,679,825	\$ 7,546,630	\$ 8,738,602	\$ 7,987,033
Public safety	39,166,833	35,849,288	31,408,789	32,409,727	31,372,155	33,938,469	40,137,072	41,777,845	45,285,893	42,871,837
Community Development	2,312,830	2,615,088	5,201,569	2,836,727	3,010,978	3,403,082	3,784,020	3,410,346	3,905,234	3,368,772
Community services	6,623,220	6,622,332	7,023,682	7,441,012	7,267,829	7,598,666	8,054,662	8,442,748	9,077,264	7,202,383
Public Works	15,240,604	9,718,841	10,092,864	12,367,078	13,544,061	16,306,542	18,324,571	16,207,579	4,222,899	14,390,950
Interest on long-term debt	2,414,053	501,265	458,021	435,772	435,207	414,974	380,159	78,066	349,806	161,293
Total governmental activities expenses	75,505,129	62,801,999	61,537,115	63,060,103	62,927,882	69,420,009	77,360,309	77,463,214	71,579,698	75,782,268
Business-type activities:										
Urban run-off	269,518	288,517	310,717	388,493	415,328	376,623	396,030	422,699	356,600	388,559
Water utility	15,512,551	14,883,425	16,048,442	15,752,822	14,085,433	14,882,443	17,306,036	18,136,961	17,197,843	19,767,041
Sewer utility	1,227,087	1,353,552	1,525,820	1,575,738	1,590,905	1,630,319	1,896,662	2,623,606	2,086,307	1,997,061
Sanitation	2,706,954	2,789,289	2,849,515	2,910,840	2,937,684	3,045,308	3,283,613	3,450,228	3,638,796	3,667,210
Information Technology External Support	1,269,800	1,271,540	1,228,919	1,240,462	1,312,899	1,724,116	1,790,154	1,656,765	1,599,359	1,024,382
Golf Course	-	-	-	-	-	-	-	-	-	2,884,293
Total business-type activities expenses	20,985,910	20,586,323	21,963,413	21,868,355	20,342,249	21,658,809	24,672,495	26,290,259	24,878,905	29,728,546
Total primary government expenses	\$ 96,491,039	\$ 83,388,322	\$ 83,500,528	\$ 84,928,458	\$ 83,270,131	\$ 91,078,818	\$ 102,032,804	\$ 103,753,473	\$ 96,458,603	\$ 105,510,814
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 2,177,602	\$ 1,890,749	\$ 1,631,098	\$ 1,663,401	\$ 1,765,913	\$ 1,605,216	\$ 1,403,754	\$ 1,137,478	\$ 2,117,359	\$ 1,296,032
Public safety	13,155,339	7,315,925	1,533,213	1,376,553	1,282,646	1,297,025	1,689,176	1,392,205	996,068	777,596
Community Development	583,339	1,535,351	1,092,041	998,141	1,577,964	2,151,955	4,619,615	1,048,258	1,530,959	1,058,408
Community services	1,737,725	3,638,056	4,672,523	5,640,412	3,021,505	2,818,718	3,023,144	3,117,696	1,530,959	1,088,410
Public Works	1,955,188	1,688,142	1,909,409	1,706,630	1,257,168	1,610,889	506,348	237,689	1,684,711	197,022
Operating contributions and grants	6,364,114	4,955,213	3,502,773	3,238,366	3,399,311	2,632,718	3,964,816	5,210,335	6,814,195	12,230,204
Capital contributions and grants	8,472,778	3,495,573	1,187,623	3,908,617	2,336,984	5,668,485	43,192,575	4,959,143	6,319,418	3,239,077
Total governmental activities program revenues	34,446,085	24,519,009	15,528,680	18,532,120	14,641,491	17,785,606	58,399,428	17,102,804	20,816,107	19,886,749
Business-type activities:										
Charges for services:										
Urban run-off	377,950	361,321	380,256	384,523	402,205	412,086	418,426	444,837	455,330	457,378
Water utility	14,085,133	16,401,415	18,813,373	18,242,242	16,520,362	20,098,490	22,885,107	21,870,826	21,483,133	23,635,320
Sewer utility	1,932,161	2,018,405	2,136,760	2,141,422	2,236,813	2,322,756	2,239,774	2,593,670	2,496,874	2,496,871
Sanitation	3,158,430	3,199,135	3,317,183	3,431,013	3,531,648	3,584,153	3,727,950	2,969,334	3,198,072	3,349,980
Information Technology External Support	1,676,577	1,499,019	1,472,730	1,532,097	1,807,305	1,959,634	1,695,050	1,380,895	1,000,093	1,051,148
Golf Course	-	-	-	-	-	-	-	-	-	4,311,445
Operating contributions and grants	11,323	11,323	11,371	-	11,371	525,165	501,959	501,990	11,371	22,888
Capital contributions and grants	-	-	1,209,000	1,521,000	-	-	14,285,715	2,705,537	-	-
Total business-type activities program revenues	21,241,574	23,490,618	27,340,673	27,252,297	24,509,704	28,902,284	45,753,981	32,487,109	28,644,873	35,325,030
Primary government program revenues	\$ 55,687,659	\$ 48,009,627	\$ 42,869,353	\$ 45,784,417	\$ 39,151,195	\$ 46,687,890	\$ 104,153,409	\$ 49,589,913	\$ 49,460,980	\$ 55,211,779
Net (Expense)/Revenue:										
Governmental activities	\$ (41,059,044)	\$ (38,282,990)	\$ (46,008,435)	\$ (44,527,983)	\$ (48,286,391)	\$ (51,634,403)	\$ (18,960,881)	\$ (60,360,410)	\$ (50,763,591)	\$ (55,895,519)
Business-type activities	255,664	2,904,295	5,377,260	5,383,942	4,167,455	7,243,475	21,081,486	6,176,850	3,765,968	5,596,484
Total primary government net expense	\$ (40,803,380)	\$ (35,378,695)	\$ (40,631,175)	\$ (39,144,041)	\$ (44,118,936)	\$ (44,390,928)	\$ (2,120,605)	\$ (54,183,560)	\$ (46,997,623)	\$ (50,299,035)

CITY OF BREA

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

General Revenues and Other Changes in Net Position:

Governmental activities:																				
Taxes																				
Property taxes	\$	31,974,080	\$	12,320,889	\$	13,314,758	\$	14,627,073	\$	16,656,050	\$	17,887,984	\$	19,357,620	\$	20,667,280	\$	22,029,810	\$	24,060,158
Transient occupancy taxes		1,280,631		1,401,140		1,513,160		1,591,839		1,605,590		1,716,180		1,786,589		1,805,609		1,852,527		1,950,303
Sales taxes		19,248,771		19,315,104		20,657,918		20,572,655		21,611,873		21,200,598		19,235,559		23,319,589		21,495,924		21,479,210
Franchise taxes		1,706,631		1,693,964		1,682,274		1,625,872		1,589,950		1,680,293		1,594,432		2,550,523		2,485,834		2,372,747
Business licenses taxes		975,742		985,391		1,054,054		1,035,220		1,101,915		1,078,509		1,107,537		1,110,975		1,036,931		994,727
Other taxes		555,291		690,840		860,520		977,074		797,475		392,075		579,840		484,664		430,231		441,622
Motor vehicle in lieu		70,227		71,847		68,846		69,978		72,551		75,398		79,899		79,772		78,478		107,321
Use of money and property		1,242,184		603,010		802,974		686,757		1,602,076		1,110,886		1,482,370		3,840,130		4,087,504		3,467,362
Gain on sale of assets		-		6,923		76,461		31,396		83,139		(1,731)		23,639		108,661		68,909		168,580
Contributions to permanent funds		1,322,891		-		-		-		-		-		-		-		-		-
Other		1,177,781		2,820,335		1,812,159		1,713,163		3,891,552		9,725,201		3,686,032		4,215,913		4,242,750		4,252,757
Extraordinary gain on dissolution of Redevelopment Agency ¹		119,686,954		21,522,303		-		(944,392)		-		-		-		-		-		-
Transfers		1,093,019		3,256,862		892,239		1,525,979		1,590,527		1,125,415		450,000		(516,300)		252,238		(4,639)
Total governmental activities		180,334,202		64,688,608		42,735,363		43,512,614		50,602,698		55,990,808		49,383,517		57,666,816		57,561,136		58,390,148
Business-type activities:																				
Use of money and property		415,256		54,871		125,999		151,348		303,514		(23,077)		(25,014)		1,240,123		1,491,758		120,888
Gain on sale of assets		-		-		-		-		-		-		-		-		18,587		67,962
Other		952,030		1,320,699		1,362,633		580,062		401,566		250,269		44,024		89,293		-		82,890
Transfers		(1,093,019)		(3,256,862)		(892,239)		(1,525,979)		(1,590,527)		(1,125,415)		(450,000)		516,300		(252,238)		4,639
Total business-type activities		274,267		(1,881,292)		596,393		(794,569)		(885,447)		(698,223)		(430,990)		1,845,716		1,258,107		276,379
Total primary government		\$ 180,608,469		\$ 62,807,316		\$ 43,331,756		\$ 42,718,045		\$ 49,717,251		\$ 55,092,585		\$ 48,952,527		\$ 59,512,532		\$ 58,819,243		\$ 58,666,527
Change in Net Position:																				
Governmental activities		\$ 139,275,158		\$ 26,405,618		\$ (3,273,072)		\$ (1,015,369)		\$ 2,316,307		\$ 4,356,405		\$ 30,422,636		\$ (2,693,594)		\$ 6,797,545		\$ 2,494,629
Business-type activities		529,931		1,023,003		5,973,653		4,589,373		3,282,008		6,345,252		20,650,496		8,022,566		5,024,075		5,872,863
Total primary government		\$ 139,805,089		\$ 27,428,621		\$ 2,700,581		\$ 3,574,004		\$ 5,598,315		\$ 10,701,657		\$ 51,073,132		\$ 5,328,972		\$ 11,821,620		\$ 8,367,492

¹During the fiscal year ended June 30, 2012, the assets, liabilities 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.

CITY OF BREA

FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(Modified accrual basis of accounting)

	Fiscal Year 2011-12 ¹	Fiscal Year 2012-13 ²	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
General Fund										
Nonspendable	\$ 1,580,778	\$ 1,675,150	\$ 1,096,665	\$ 856,591	\$ 615,605	\$ 412,659	\$ 139,562	\$ 8,826	\$ 2,485	\$ 14,960
Restricted	926,483	1,191,585	1,161,494	1,392,800	7,448,016	8,201,746	8,112,011	8,661,782	8,883,451	11,337,663
Committed	6,546,809	7,496,895	8,649,210	8,616,218	9,091,623	-	867,841	980,101	1,353,559	1,388,993
Assigned	590,613	667,696	800,857	573,064	590,815	11,316,072	12,270,563	12,777,708	11,807,691	11,914,029
Unassigned	21,075,761	21,224,287	21,046,657	23,586,834	19,154,889	14,077,609	14,703,360	21,203,689	19,891,467	29,410,655
Total general fund	\$ 30,720,444	\$ 32,255,613	\$ 32,754,883	\$ 35,025,507	\$ 36,900,928	\$ 34,008,086	\$ 36,093,337	\$ 43,632,106	\$ 41,938,653	\$ 54,066,300
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ 18,212,052	\$ 18,067,123	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	25,670,313	52,188,042	29,045,330	28,721,740	47,181,358	44,665,332	44,617,410	43,625,108	50,392,782	46,045,148
Assigned	1,705,413	-	-	-	-	-	-	-	-	-
Unassigned	(54,141)	(144,652)	(89,971)	(78,497)	(79,171)	(19,272)	(9,653)	(27,156)	(98,401)	(152,390)
Total all other governmental funds	\$ 27,321,585	\$ 52,043,390	\$ 47,167,411	\$ 46,710,366	\$ 47,102,187	\$ 44,646,060	\$ 44,607,757	\$ 43,597,952	\$ 50,294,381	\$ 45,892,758

¹ 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.

² 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 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	Fiscal Year 2019-20	Fiscal Year 2020-21
Revenues:										
Taxes	\$ 52,965,161	\$ 33,464,585	\$ 35,621,119	\$ 37,453,770	\$ 40,526,309	\$ 40,215,974	\$ 41,074,462	\$ 47,100,463	\$ 45,845,391	\$ 47,267,539
Licenses and permits	468,154	485,113	608,664	645,054	782,250	870,940	584,841	606,355	823,019	451,865
Intergovernmental	9,057,154	7,391,599	5,921,198	7,992,057	10,535,171	9,506,268	24,323,998	15,360,014	19,156,439	18,725,429
Contributions	6,012,024	2,299,568	199,811	497,304	2,080	535	105,514	102,886	-	-
Charges for services	16,383,685	12,386,985	7,416,279	8,125,141	5,451,452	6,188,947	8,008,055	3,953,235	6,239,512	2,225,756
Use of money and property	3,212,863	1,797,849	2,580,210	2,379,065	2,778,480	2,542,341	1,914,998	4,445,507	4,154,607	3,282,919
Fines and forfeitures	1,811,929	1,500,354	1,067,593	842,001	790,247	597,476	824,358	892,120	405,841	550,471
Other revenues	5,032,030	5,377,484	2,907,555	3,025,883	2,852,006	5,462,816	3,660,707	3,424,423	4,422,384	4,241,978
Total revenues	94,943,000	64,703,537	56,322,429	60,960,275	63,717,995	65,385,297	80,496,933	75,885,003	81,047,193	76,745,957
Expenditures:										
General Government	6,889,583	5,569,582	5,479,851	5,635,476	5,751,038	5,645,218	5,365,030	5,867,534	7,132,329	6,776,616
Public Safety	36,925,686	35,270,155	31,461,089	31,340,804	33,095,380	34,377,568	35,511,682	36,294,416	38,848,662	39,623,318
Community Development	2,213,502	2,669,989	5,206,914	2,853,942	3,191,325	3,470,595	3,469,989	3,040,469	3,394,609	3,186,707
Community Services	5,930,685	6,141,746	6,450,201	6,750,909	7,048,955	7,395,363	7,284,303	7,540,687	7,584,500	6,607,980
Public Works	4,715,759	4,769,385	4,925,155	5,200,858	5,456,277	5,778,004	5,390,103	5,377,987	6,880,759	6,229,636
Capital Outlay	12,901,819	6,896,432	7,350,289	8,129,441	9,372,430	14,808,389	21,198,635	9,524,720	8,631,178	11,090,335
Debt service:										
Principal retirement	9,021,235	368,460	350,000	370,000	618,132	410,411	435,389	465,458	2,595,619	295,873
Interest and fiscal charges	4,246,122	460,878	439,402	416,792	420,772	397,243	383,551	368,468	351,681	197,523
Pass-through agreement payments										
Total expenditures	83,302,203	62,146,627	61,662,901	60,698,222	64,954,309	72,282,791	79,038,682	68,479,739	75,419,337	74,007,988
Excess (deficiency) of revenues over (under) expenditures	11,640,797	2,556,910	(5,340,472)	262,053	(1,236,314)	(6,897,494)	1,458,251	7,405,264	5,627,856	2,737,969
Other Financing Sources (Uses):										
Transfers in	11,074,821	6,904,709	5,890,552	6,507,993	4,378,333	10,082,394	5,791,699	3,143,969	4,799,670	9,563,936
Transfers out	(10,207,113)	(4,733,798)	(4,934,249)	(4,956,467)	(2,826,881)	(8,533,869)	(5,203,002)	(4,020,269)	(5,424,295)	(9,568,575)
Sale of capital assets	-	6,850	7,460	-	-	-	-	-	-	11,601
Capital leases	-	-	-	-	1,952,104	-	-	-	-	-
Total other financing sources (uses)	867,708	2,177,761	963,763	1,551,526	3,503,556	1,548,525	588,697	(876,300)	(624,625)	6,962
Extraordinary gain on dissolution of Redevelopment Agency ^{1,2}	(82,091,681)	21,522,303	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (69,583,176)	\$ 26,256,974	\$ (4,376,709)	\$ 1,813,579	\$ 2,267,242	\$ (5,348,969)	\$ 2,046,948	\$ 6,528,964	\$ 5,003,231	\$ 2,744,931
Debt service as a percentage of noncapital expenditures	17.30%	1.52%	1.43%	1.41%	1.87%	1.41%	1.42%	1.41%	4.43%	0.86%

¹ 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.

² 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**

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other Property ¹	Total Taxable Assessed Value ²	Total Direct Tax Rate
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
2020	6,407,150,882	2,063,879,311	1,630,616,856	797,206,400	10,898,853,449	0.17402
2021	6,659,815,739	2,179,834,530	1,705,370,536	777,646,078	11,322,666,883	0.17402

¹ Other property includes recreational, institutional, vacant, and miscellaneous property.

² 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 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	Fiscal Year 2019-20	Fiscal Year 2020-21
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 ¹	0.04500	0.04500	0.04500	0.04500	0.04500	0.04500	0.04500	0.04500	0.04500	0.04500
Total City Direct Rate	0.17402	0.17402	0.17402	0.17402	0.17402	0.17402	0.17402	0.17402	0.17402	0.17402
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	0.02367	0.02365	0.02470	0.02528	0.02292	0.02298	0.02325	0.02370	0.02291	0.02489
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	0.01742	0.01902	0.01704	0.01704	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	0.01888	0.01888	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	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
Total Direct Rate	\$ 1.08977	\$ 1.09123	\$ 1.09030	\$ 1.09088	\$ 1.08852	\$ 1.08858	\$ 1.08885	\$ 1.08930	\$ 1.08851	\$ 1.09049

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

NOTES:

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

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

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

CITY OF BREA

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO**

Taxpayer	Fiscal Year 2020-21			Fiscal Year 2011-12		
	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	\$ 259,865,109	1	2.26%	\$ 203,255,304	1	2.85%
RAR2 200 North Puente LLC	205,114,493	2	1.78%			
Olen Pointe Brea LLC	177,005,850	3	1.54%	98,359,339	5	1.38%
CRE Brea Valencia LLC	120,883,310	4	1.05%			
Beckman Coulter Inc.	109,282,616	5	0.95%	135,684,659	3	1.90%
FW CA-Brea Marketplace LLC	102,416,200	6	0.89%	92,795,210	6	1.30%
Brea Union Plaza II LLC	84,601,352	7	0.73%	72,008,833	8	1.01%
Avalon Brea Place, LLC	74,945,163	8	0.65%			
Sarah L Wilcox Trust	65,025,000	9	0.56%			
ICE Holdings LLC	58,197,820	10	0.51%	49,550,613	10	0.70%
Brea Apartment Venture, LLC			0.00%			
New Albertsons Inc			0.00%	141,917,603	2	1.99%
Acquiport Brea LP			0.00%	124,625,834	4	1.75%
La Floresta			0.00%	50,215,291	9	0.70%
Brea-Olinda School			0.00%	73,662,890	7	1.03%
	<u>\$ 1,257,336,913</u>		<u>10.92%</u>	<u>\$ 1,042,075,576</u>		<u>14.61%</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
2012	32,242,292	31,678,555	98.25	295,525	31,974,080	99.17
2013 ¹	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
2020	22,223,439	21,836,049	98.26	193,761	22,029,810	99.13
2021	24,227,814	23,892,502	98.62	167,656	24,060,158	99.31

¹ 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Department Stores	\$ 3,158,876	\$ 3,060,495	\$ 3,000,876	\$ 3,020,454	\$ 2,959,079	\$ 2,827,804	\$ 2,576,479	\$ 2,496,605	\$ 2,024,839	\$ 1,963,194
Restaurant	1,902,210	2,004,400	2,082,644	2,159,263	2,258,542	2,305,596	2,512,626	2,441,525	2,129,793	1,981,935
Light Industry	1,713,504	1,759,297	2,142,298	2,049,527	2,171,917	2,158,761	2,000,878	2,162,541	2,220,495	2,431,072
Building Materials-Wholesale	1,346,742	1,622,498	1,676,631	1,799,592	2,051,748	2,116,119	2,071,993	2,251,101	2,264,618	2,176,465
Apparel Stores	1,661,679	1,755,021	1,697,734	1,732,123	1,696,435	1,676,921	1,589,063	1,608,941	1,298,914	1,118,845
Miscellaneous Retail	1,560,446	1,600,599	1,707,983	1,779,009	1,652,697	1,558,413	1,575,008	1,430,115	1,160,807	1,222,469
Furniture/Appliance	764,254	708,157	686,308	801,114	763,158	810,168	976,083	1,071,240	895,046	685,518
Service Stations	998,449	991,760	1,001,724	844,593	712,761	674,913	705,984	740,148	603,696	494,880
Food Markets	271,680	284,288	358,917	358,917	469,420	488,165	437,616	421,421	430,868	528,657
Building Materials-Retail	345,832	450,631	450,013	446,278	470,340	472,178	500,971	430,202	396,907	527,090
Heavy Industry	369,982	498,859	346,253	356,465	408,035	359,099	674,914	745,514	633,444	726,287
Auto Sales-New	247	262	330,614	315,306	288,732	441,956	534,567	2,522,614	2,173,665	1,340,847
Other	2,084,482	1,798,200	1,774,919	1,805,690	1,922,933	1,927,869	1,680,294	1,800,006	5,262,832	6,281,952
Total	\$ 16,178,383	\$ 16,534,467	\$ 17,256,914	\$ 17,468,331	\$ 17,825,797	\$ 17,817,962	\$ 17,836,476	\$ 20,121,973	\$ 21,495,924	\$ 21,479,211

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

Source: MuniServices until 2019. Beginning in 2020 Avenu Insights & Analytics Company

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 ⁴	Debt Per Capita ⁴
	Tax Allocation Bonds ¹	Lease Revenue Bonds ¹	Capital Leases ³	Total Governmental Activities	Water Revenue Bonds ²	Total Government	Percentage of Personal Income ⁴			
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	2.08%	1,293		
2018	-	2,760,000	3,658,172	6,418,172	49,110,000	55,528,172	1.89%	1,237		
2019	-	2,760,000	3,192,714	5,952,714	48,010,000	53,962,714	1.71%	1,183		
2020	-	2,760,000	597,095	3,357,095	40,440,000	43,797,095	1.34%	960		
2021	-	2,760,000	301,222	3,061,222	42,225,000	45,286,222	1.34%	1,003		

¹ 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.

² For the fiscal year ended June 30, 2015, the Brea Community Benefit Financing Authority issued over \$18 million of water revenue bonds.

³ For the fiscal year ended June 30, 2016, the City of Brea entered into a lease purchase agreement for \$1,952,104.

⁴ 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 ²	Net Bonded Debt	Percentage of Assessed Value of Property ³	Per Capita ⁴
	Tax Allocation Bonds ^{1,2}	Lease Revenue Bonds ²	Total				
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
2020	-	2,760,000	2,760,000	269,853	2,490,147	0.02%	55
2021	-	2,760,000	2,760,000	262,772	2,497,228	0.02%	55

¹ 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

² 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.

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

⁴ 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, 2021**

City Assessed Valuation: \$ 11,344,344,046

	Estimated Percentage Applicable ¹	Debt Outstanding	Estimated Share of Overlapping Debt
Overlapping Debt Repaid with Property Taxes:			
Metropolitan Water District	0.347	\$26,830,000	\$ 93,100
North Orange County Joint Community College District	7.786	245,604,001	19,122,728
Brea-Olinda Unified School District	96.915	6,489,029	6,288,842
Placentia-Yorba Linda Unified School District	1.25	240,267,637	3,003,345
Rowland Unified School District	0.167	225,197,960	376,081
Fullerton Joint Union High School District	1.865	193,065,000	3,600,662
Fullerton School District	0.007	18,903,270	1,323
La Habra City School District	10.700	36,431,136	3,898,132
City of Brea Community Facilities Districts	100	10,240,000	10,240,000
Brea-Olinda Unified School District Community Facilities District No. 95-1	100	4,080,000	4,080,000
Total overlapping debt repaid with property taxes		1,007,108,033	50,704,213
Overlapping Other Debt:			
Orange County General Fund Obligation	1.731	\$381,885,000	\$ 6,610,429
Orange County Pension Obligations Bonds	1.731	485,318,204	8,400,858
Orange County Board of Education Certificates of Participation	1.731	12,310,000	213,086
North Orange Regional Occupation Program Certificates of Participation	7.992	8,590,000	686,513
Brea-Olinda Unified School District Certificates of Participation	96.915	11,930,000	11,561,960
Placentia-Yorba Linda Unified School District Certificates of Participation	1.250	93,425,000	1,167,813
Fullerton Joint Union High School District Certificates of Participation	1.865	17,275,000	322,179
Fullerton School District Certificates of Participation	0.007	3,670,000	257
Total overlapping general fund debt			28,963,095 ²
Total overlapping debt			\$ 79,667,308
City of Brea Direct Debt:			
Lease Revenue Bonds			\$ 2,760,000
Capital Leases			301,222
Total City of Brea Direct Debt			\$ 3,061,222
Combined total direct and overlapping debt			\$ 82,728,530 ³

¹ Percentage of overlapping agency's assessed valuation located within the boundaries of the City.

² 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.

³ 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 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	Fiscal Year 2019-20	Fiscal Year 2020-21
Assessed value	\$ 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	\$ 10,859,937,204	\$ 11,344,344,046
Debt limit: 3.75% of assessed value	274,811,363	283,358,047	293,068,390	301,009,053	319,971,636	341,850,090	362,251,044	385,750,051	407,247,645	425,412,902
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										\$ 425,412,902

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				
	Tax Increment ^{4,5}	Tax		Coverage ⁵	Less: Operating Expenses ²	Net Available Revenue		Coverage	
		Principal ⁵	Debt Service Interest ⁵			Gross Revenues ¹	Principal		Debt Service Interest ³
2012	-	-	-	-	11,196,371	2,462,771	495,000	1,536,324	1.21
2013	-	-	-	-	10,700,731	4,938,899	940,000	1,548,591	1.98
2014	-	-	-	-	11,873,994	6,330,842	975,000	1,540,597	2.52
2015	-	-	-	-	10,685,147	7,118,608	1,015,000	2,351,374	2.11
2016	-	-	-	-	9,162,038	7,327,039	1,315,000	2,348,737	2.00
2017	-	-	-	-	9,865,661	9,329,155	1,425,000	2,381,873	2.45
2018	-	-	-	-	11,972,562	10,720,363	1,040,000	2,361,556	3.15
2019	-	-	-	-	12,636,817	8,856,099	1,100,000	2,286,421	2.62
2020	-	-	-	-	13,006,772	8,438,539	1,165,000	1,668,816	2.98
2021	-	-	-	-	15,881,851	7,630,699	865,000	1,545,361	3.17

¹ Gross revenues exclude connection fees.

² Operating expenses do not include interest or depreciation.

³ Interest expense is net of the Build America Bonds interest refund credits.

⁴ Beginning fiscal year ended June 30, 2010, tax increment is net of tax increment revenue sharing payments.

⁵ 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

Fiscal Year Ended June 30	Population ¹	Personal Income (in thousands)	Per Capita Personal Income ²	Unemployment Rate ³
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%
2020	45,629	3,272,101	71,711	13.6%
2021	45,137	3,368,033	74,618	6.5%

Sources:

¹ City Community Development, Planning Division

² Per capita income for Orange County; U.S. Department of Commerce, Bureau of Economic Analysis

³ State of California Employment Development Department - Labor Market Information Division

CITY OF BRE A

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

Employer	Fiscal Year 2020-21			Fiscal Year 2011-12		
	Employees	Rank	Percent of Total City Employment ¹	Employees	Rank	Percent of Total City Employment
Bank of America ²	3,000	1	13.39%	1,500	1	7.50%
Mercury Insurance Group ²	1,440	2	6.43%	1,400	2	7.00%
Albertson's, Inc.	1,391	3	6.21%	750	4	3.75%
Beckman Coulter, Inc. ²	837	4	3.74%	1,200	3	6.00%
Brea Olinda Unified School District	621	5	2.77%	640	6	3.20%
Kirkhill - TA Company	535	6	2.39%	700	5	3.57%
Nationwide ² formerly Veterinary Pet Ins.	460	7	2.05%	480	7	2.40%
Bristol Industries	405	8	1.81%	400	8	2.00%
Service Champions Plumbing, HVAC	405	9	1.81%			
Peterson Brothers Construction	351	10	1.57%	360	10	1.80%
Harte-Hanks Communications			0.00%			
ITT Hartford Insurance Group			0.00%			
Avery Dennison Administrative			0.00%	360	9	1.80%
Total	9,445		42.17%	7,790		39.02%

¹ Based upon the Employment Development Department's Labor Force estimate of 22,400 residents in 2021 out of a total population of 45,137.

² 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government	57	59	58	59	60	59	54	50	48	46
Public Safety	213	212	167	158	158	159	157	156	155	156
Community Development ¹	20	20	21	21	21	23	22	19	19	21
Community Services	48	52	52	52	55	56	54	55	67	67
Public Works ²	39	42	41	42	45	47	49	47	47	47
Water Utility	14	15	17	17	17	15	16	18	17	17
Sewer Utility	6	6	6	6	6	6	6	5	5	5
Sanitation	2	2	2	2	2	4	3	2	1	1
External Information Technology	9	9	10	10	10	12	11	8	7	6
Total	408	417	373	367	374	381	372	360	366	366

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

CITY OF BREa

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Function:										
Police										
Calls dispatched	24,650	22,810	22,412	23,026	24,359	26,027	25,185	28,510	27,973	27,845
Crime reports	4,491	4,450	4,207	4,490	4,798	4,881	4,888	4,798	4,011	3,961
Moving citations	8,215	5,573	3,272	3,426	2,483	2,409	2,799	2,801	1,559	3,158
Parking citations	16,034	10,651	11,178	10,057	10,528	10,467	10,591	9,331	3,267	1,632
Water										
Number of customer accounts	12,095	12,258	12,637	12,951	13,153	13,224	13,338	13,428	13,449	13,474
Average daily consumption (millions of gallons)	9.39	9.77	10.30	9.54	7.86	7.71	8.78	8.20	7.97	8.97
Water samples taken	672	840	624	686	732	780	824	783	821	821
Community Development										
Permits issued	1,180	1,404	1,418	1,561	2,072	2,170	2,045	2,002	1,756	1,276
Inspections conducted	5,030	5,604	7,955	7,997	6,903	6,833	7,611	8,697	9,753	5,383
Public Works										
Square feet of graffiti removal	9,576	10,944	7,713	4,545	3,609	6,950	7,074	5,310	8,100	6,542
Streetsweeping miles	18,398	19,365	19,494	20,128	20,333	21,060	21,476	17,300	11,373	10,613
Trees pruned per year	2,806	3,136	2,069	3,408	3,275	2,830	2,158	2,745	1,838	1,879
Traffic signal intersections maintained ¹	52	52	52	52	53	56	56	53	53	54
Infrastructure improv. projects administered	17	6	9	10	8	8	6	8	9	8
Culture and Recreation										
Gallery promotions and mailings	22,934	18,500	18,500	18,500	14,800	14,800	14,800	14,800	7,400	-
Gallery attendance	11,693	9,596	10,674	10,042	12,807	10,175	7,700	7,000	6,740	1,790
Theatre annual program brochures mailed	37,843	32,359	44,517	26,258	34,670	31,853	10,200	21,906	16,086	-
Theatre attendance	12,829	12,516	12,889	12,926	50,476	47,832	41,499	34,803	23,861	2,306
General government										
Accounts payable warrants issued	8,182	7,872	7,829	8,599	7,569	7,154	6,980	7,026	7,215	6,632

¹ Doesn't include five flashing beacons the City maintains

Source: City of Brea

CITY OF BREA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Function:										
Highways and streets										
Miles of streets	119	119	120	120	121	121	121	126	126	126
Street lights	3,388	3,388	3,401	3,401	3,452	3,452	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	7	7	7	7	7	7	7	7
Miles of lines & mains	167	167	167	197	197	212	212	212	225	225
Sewer										
Miles of sanitary sewers	110	110	111	111	112	112	112	114	114	114
Miles of storm drains	25	25	26	26	27	27	27	27	27	27
Culture and Recreation										
Number of parks	11	12	13	13	13	13	14	14	14	14
Number of other facilities	7	7	7	7	7	7	7	7	7	7

Source: City of Brea