

FISCAL YEAR ENDING
JUNE 30, 2023

Annual Comprehensive Financial Report



City Council



Marty Simonoff
Mayor



Christine Marick
Mayor Pro Tem



Cecilia Hupp
Council Member



Blair Stewart
Council Member



Steve Vargas
Council Member

Elected Official

Treasurer Denise Eby

Administrative Personnel

| | |
|--|---------------------|
| <i>City Manager</i> | Bill Gallardo |
| <i>Assistant City Manager/ Community Services Director</i> | Chris Emeterio |
| <i>Administrative Services Director</i> | Kristin Griffith |
| <i>Chief of Police</i> | Adam Hawley |
| <i>Community Development Director</i> | Jason Killebrew |
| <i>City Clerk</i> | Lillian Harris-Neal |
| <i>Fire Chief</i> | George Avery |
| <i>Public Works Director</i> | Michael Ho |
| <i>City Attorney</i> | Terence Boga |

CITY OF BREA, CALIFORNIA

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

Prepared by:

Administrative Services Department

Kristin Griffith

Director of Administrative Services

Monica Lo

Deputy Director of Administrative Services

Ana Conrique

Senior Accountant

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Introductory Section

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December 19, 2023

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, 2023. 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 its 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, 2023, 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, 2023, 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, 2023 received more than \$750,000 in grant revenues and is required to issue the Single Audit Report for FY 2022-23. For FY2022-23, the City received \$5 million in federal awards. Information related to this single audit, including a schedule of expenditures of federal awards assistance and the independent auditors' reports on the internal controls and compliance



with applicable laws and regulations 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 the 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 48,184 residents and hosts a daytime working population of more than 125,000.

The City is a major retail center featuring one of the county's largest shopping centers, the Brea Mall; the Brea Union Plaza; and a host of other retail and service businesses. Brea is also a center for big businesses such as ViewSonic Corporation, NCH Management Systems Inc., EVGA Corporation, Beckman-Coulter, American Financial Network, Inc., California Roadside Service and Kirkhill Aircraft Part Co, Flexfit LLC. Several companies' corporate headquarters are located within Brea, including Beckman-Coulter, Tesla Inc., 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 currently 190 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 budget serves as the foundation for the City of Brea's financial planning and control. The budget is adopted on a biennial basis by the City Council in June of each odd 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 period that begins July 1 of each odd year. 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 with final approval by City Council on or before June 30 of each odd year. At the conclusion of the first year, the budget team prepares a report on the progress of the first half of the biennial budget cycle. The City Manager formally reviews the report with the City Council. The City Council adopts budget adjustments as needed. The level of budgetary control is established at the fund level for all funds.

LOCAL ECONOMIC FACTORS

Brea encompasses about 8,300 acres or 13 square miles of land. The City's land use is distributed as follows:

Land Use Distribution

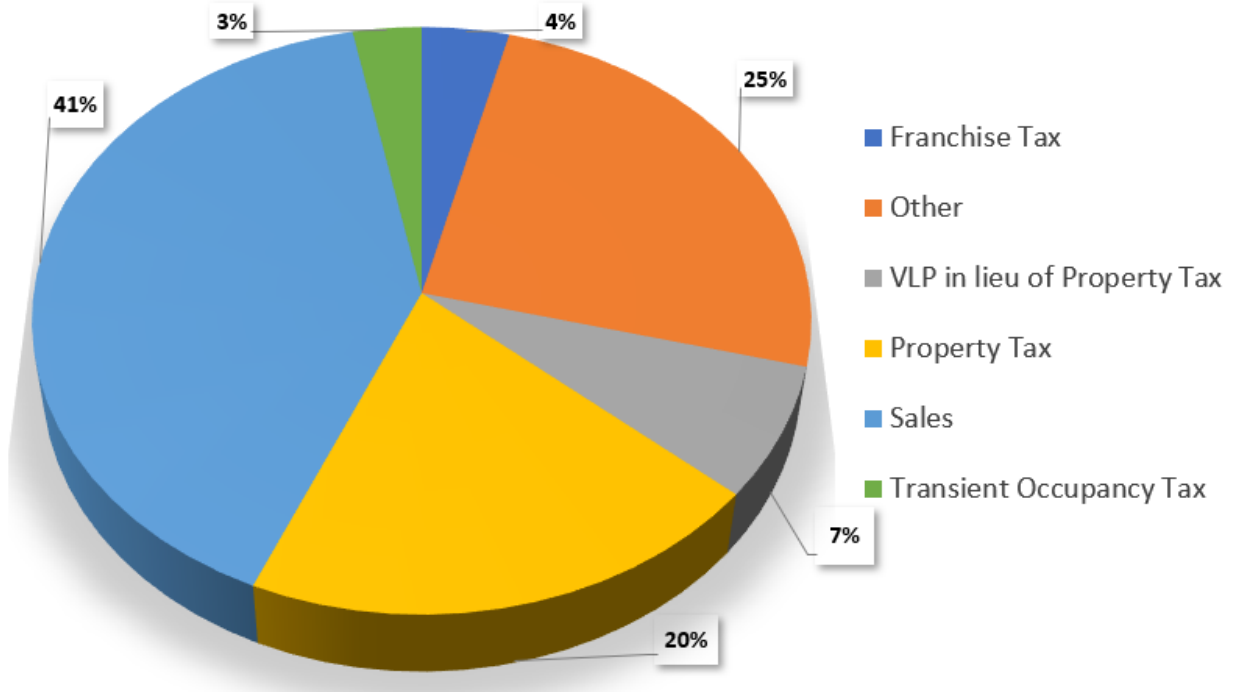
| <u>Land Use</u> | <u>Percent</u> |
|--|----------------|
| Residential (single-family, multi-family, and mobile homes) | 45.3% |
| Commercial and Office | 4.0% |
| Industrial | 11.6% |
| Parks and Open Space | 18.2% |
| Public Facilities (City facilities, schools, drainage channels, and fire stations) | 2.6% |
| Mixed Use | 3.7% |
| Cemetery | 0.3% |
| Other (streets) | 14.3% |
| Total | 100.0% |

Source: City of Brea General Plan (2003, and subsequent updates 2008, 2014, 2021)

The current land use mix produces General Fund revenues of approximately \$80.6 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 69.7% of the total amount of General Fund revenues. The remaining revenues account for 30.3% of the total and are represented by a broad range of sources.



General Fund Revenues by Revenue Source Fiscal Year Ended June 30, 2023

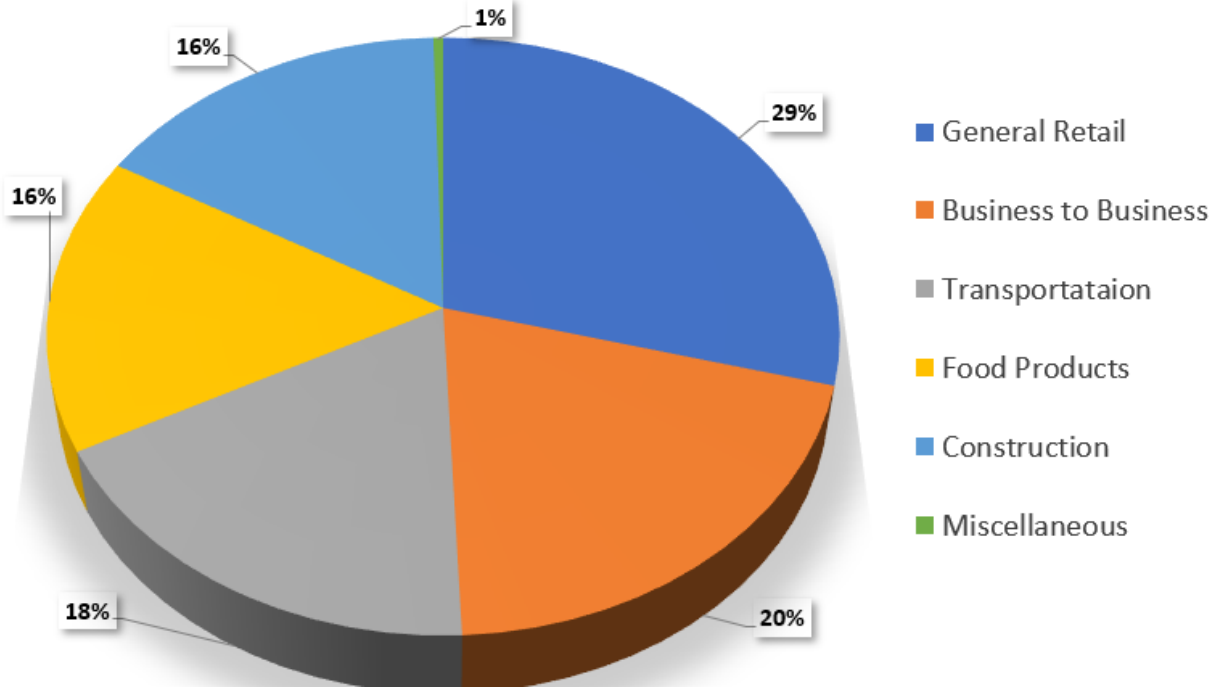


Sales Tax

Sales tax represents the single largest source of General Fund revenue at \$28.8 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 29% of the total sales tax generated. This sector includes the regional Brea Mall, which is one of the largest malls 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.



Sales Tax by Economic Categories Fiscal Year Ended June 30, 2023



Property Taxes

Brea is a very diverse community as previously indicated in the land use chart. General Fund property taxes represent \$14.4 million or 20.3% of General Fund revenues. Assessed valuation of all property (including the former Brea Redevelopment Agency) in Brea is \$12.5 billion, an increase of 5.7% over the prior fiscal year. The valuation is split between residential at 61%, commercial/industrial at 36%, and the remaining 3% for other miscellaneous uses. Of the City's 18,693 dwelling units, 62% are single-family units, 33% are multi-family units and 5% 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 remains at \$975,000 for the current 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 39.8% of the \$2.8 million in annual franchise tax revenue. The remaining 60.2% of this revenue includes franchise fees for oil pipelines, cable television, and other non-city utilities.

**Franchise Taxes
Fiscal Year Ended June 30, 2023**

| | Annual Revenue | Percent of Total |
|------------------|-------------------|---------------------|
| Public Utilities | \$ 1,128,139 | 39.8% |
| All Others | 1,705,010 | 60.2% |
| Totals | \$ 2,833,149 | 100.0% |

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 spread outside of China, including the United States. The outbreak resulted in a number of governmental responses including being declared a worldwide pandemic by the World Health Organization and 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 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.

While reflecting on the past three years and the adversity that came with the COVID-19 pandemic, the organization has been able to pivot and think strategically when navigating a rapidly changing economic environment while maintaining core service levels to the community. This has been especially difficult as the organization repositions itself as work capacity attributed to employee attrition (“Great Resignation”) which continued through this post-pandemic environment. To allow flexibility and responsiveness within the organization, the City Manager’s authority as it relates to the budget appropriation carryovers is recommended to be expanded to allow the ability to carryover available appropriation from one year to another year for a new expenditure so long as the total appropriation per expenditures does not exceed the City Manager’s authority limit of \$50,000. This will provide the organization the ability to respond and adapt quicker.



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 may help the organization maintain and expand 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 changing economic environment. 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 next two fiscal years. Staff commits to providing budget updates to the City Council as the financial picture changes.

Overall it is important to note that Brea is paying all of its obligations on time; is setting aside funding for ongoing capital facility and equipment replacement; and is funding a robust Capital Improvement Program (CIP) to adequately maintain City infrastructure systems. The City Council also took the opportunity as part of this budget process to refine the organization's Fiscal Policies Statement to provide additional guidance regarding capital replacement reserve policies and the inclusion of the City's Reserve Fund Transparency Ordinance.

The organization will make every effort to continue to build prudent reserves and strategic savings programs to be able to insulate the City from a downturn in the economy and minimize organizational disruption. The City Council is also committed to pension modifications and plans to continue setting aside money in an irrevocable trust fund, administered through the Public Agency Retirement Services (PARS), that is specifically designed to help stabilize pension costs. This, combined with continued efforts to promote pension modifications at the legislation front, are steps in the right direction.

The entire organization continues to work hard to preserve core City services. Staff will continue to be diligent in monitoring long-term economic uncertainties that could impact Brea's budget picture. These include:

- ◆ The effects of the pandemic and the likelihood of a resurgence;
- ◆ Increases in the cost-of-living (inflation); and
- ◆ CalPERS projected rate increases

City staff uses a variety of tools, such as looking strategically at vacancies and consolidation of functions to structurally close the budget gap when needed. Staff continues to research new and innovative ways of doing business.

Presenting the City Council with the FY 2023-25 biennial budget is only one of the many projects that City staff has completed during FY 2022-23. Working within the City Council priorities and under its direction, City staff was able to complete a substantial list of accomplishments, which are found in department summary sections of the budget.

Locally, geographic and socio-economic conditions in Orange County and the City of Brea remain desirable. Property values in the region are moderating 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 2022-23 General Fund increased by 5.7% from the prior year.

Development within Brea continues to remain active and there are many projects in different phases throughout the City. On May 16, 2023, the City Council approved the Brea Mall Mixed Use Project that will redevelop a 15.5-acre portion of the current Brea Mall providing new retail, residential and



commercial opportunities for our community. Demolition of the former Sears building is in progress.

At June 30, 2023, the unemployment rate in Brea was 3.6%. However, as of October 2023 the unemployment rate has slightly increased to 3.7%, which is comparable to the Orange County unemployment rate of 3.7% according to the State Employment Development Department. The unemployment rate has dropped from a height of 14.9% 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 remain steady as the state has completed its full recovery from the large job loss during the COVID-19 pandemic.

LONG-TERM FINANCIAL PLANNING

Brea Forward Strategy Team

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. Brea Forward meets as needed to address changes to the organization 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 2022-23 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, 2023 was \$1,046,641.

Capital Asset Replacement 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 Replacement Reserves at June 30, 2023 was \$4,001,836.

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, 2023 including interest earned to date was \$10,324,514.

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 PEPR, a second retirement tier for new employees. All employees pay 100% of the employee share of retirement; additionally, 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 will not be fully realized for many years.

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 Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2022. This was the 33rd 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, Deputy Director of Administrative Services, Ana



Conrique, Senior Accountant 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.

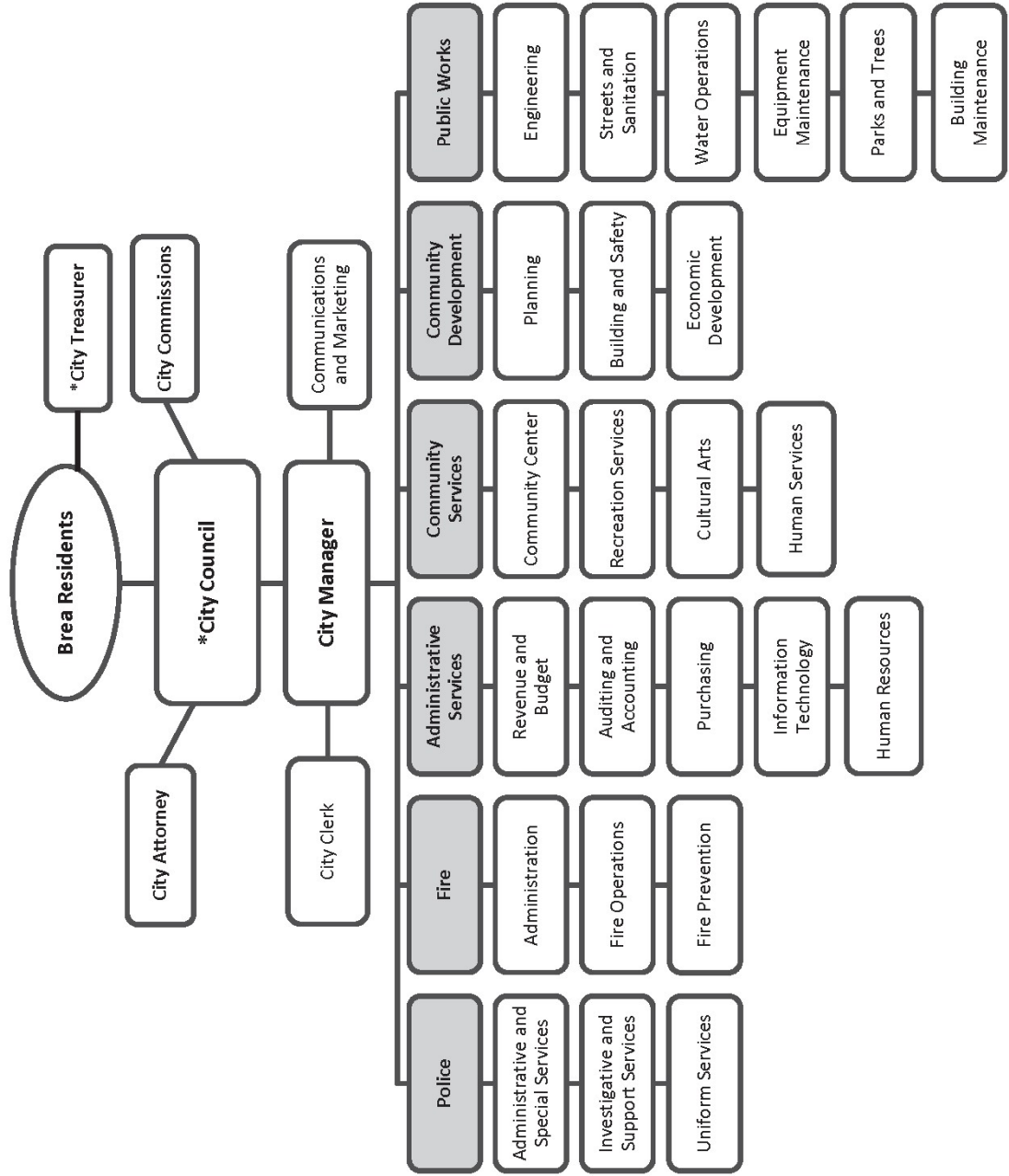
In closing, without the leadership and support of the City Council of the City of Brea, preparation of this report would not have been possible.

Sincerely,

William Gallardo
City Manager

Kristin Griffith
Director of Administrative Services

CITY ORGANIZATION CHART



*Elected



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Brea
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Financial Section

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

Adoption of New Accounting Standard

As discussed in Note 1 and Note 18 to the financial statements, the City has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription based information technology arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in net pension liability and related ratios, schedule of changes in proportionate share of the net pension liability for the safety plan, schedule of changes in the net OPEB liability and related ratios, schedule of contributions for the pension and OPEB liabilities, 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor funds financial statements and budgetary comparison schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023, 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 City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Laguna Hills, California
December 19, 2023

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, 2023. 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 \$360.4 million.
- The City's total net position increased overall by \$8.7 million, of which \$6.1 million is related to governmental activities, while \$2.6 million is related to business-type activities. The increase in net position is primarily related to pension expense and the receipt of the final tranche in American Rescue Plan Act (ARPA) funding, as discussed further in this document. Of the \$2.6 million increase in business-type activities, \$2.4 million is related to the Water Utility fund revenues exceeding expenditures, \$0.4 million is related to the Sewer Utility fund revenues exceeding expenditures and \$0.1 million relating to activities in Non-major Enterprise Funds.
- The City's non-current liabilities of \$230.7 million primarily includes \$157.6 million in net pension liabilities, \$24.8 million in other post-employment (OPEB) liabilities and \$48.3 million of outstanding bonded debt (which was used to finance the acquisition of capital assets and to fund capital improvements), leases, subscription-based information technology arrangements, compensated absences, and claims. Total capital assets, net of depreciation, represents \$349.4 million of the \$529.5 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 \$98.1 million, an increase of \$4.7 million, which is largely due to increase in tax revenues for fiscal year ended June 30, 2023. Of the total combined fund balance of \$98.1 million for governmental funds, \$55.9 million was restricted, \$11.6 million was assigned, \$1.4 million committed and \$29.2 million was unassigned.

- The General Fund reported an increase of \$4.6 million primarily due to the receipt of the final tranche of ARPA funds resulting in a total ending fund balance of \$53.1 million. Of the total ending fund balance, \$11.6 million was assigned, \$10.6 million was restricted, \$1.5 million was committed 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 outflows, liabilities (including long-term liabilities that may be paid over twenty or more years) and any deferred inflows of resources. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

The City's Government-wide Financial Statements are divided into two categories:

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

Business-type Activities – The City's business enterprises include 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, 2023 was \$360.4 million of which \$305 million was the net investment in capital assets such as construction in progress, equipment, buildings and infrastructure. Of the remaining total, \$47.5 million was restricted to specific law, contracts or other agreements such as affordable housing, public safety, capital projects and debt service. The remaining \$7.9 million was unrestricted and is available for designation for specific purpose as approved by City Council.

Table 1
Net Position
June 30, 2023
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total Activities | |
|---|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | \$ 106,206 | \$ 101,509 | \$ 25,127 | \$ 32,568 | \$ 131,333 | 134,077 |
| Capital assets | 211,095 | 211,815 | 138,329 | 132,179 | 349,424 | 343,994 |
| Noncurrent assets | 31,285 | 30,863 | 17,463 | 15,832 | 48,748 | 46,695 |
| Total assets | 348,586 | 344,187 | 180,919 | 180,579 | 529,505 | 524,766 |
| Deferred charge on refunding | - | - | 1,003 | 1,486 | 1,003 | 1,486 |
| Deferred pension/OPEB related items | 99,539 | 94,774 | 3,233 | 1,275 | 102,772 | 96,049 |
| Total Deferred Outflows of Resources | 99,539 | 94,774 | 4,236 | 2,761 | 103,775 | 97,535 |
| Noncurrent liabilities | 177,046 | 125,653 | 53,721 | 50,926 | 230,767 | 176,579 |
| Other liabilities | 16,379 | 17,568 | 7,216 | 8,743 | 23,595 | 26,311 |
| Total liabilities | 193,425 | 143,221 | 60,937 | 59,669 | 254,362 | 202,890 |
| Deferred pension/OPEB related items | 17,688 | 64,833 | 870 | 2,885 | 18,558 | 67,718 |
| Total Deferred Inflows of Resources | 17,688 | 64,833 | 870 | 2,885 | 18,558 | 67,718 |
| Net Investment in Capital Assets | 208,081 | 209,038 | 96,874 | 89,469 | 304,955 | 298,507 |
| Restricted | 45,252 | 45,160 | 2,213 | 2,179 | 47,465 | 47,339 |
| Unrestricted | (16,321) | (23,291) | 24,261 | 29,138 | 7,940 | 5,847 |
| Total net position | \$ 237,012 | \$ 230,907 | \$ 123,348 | \$ 120,786 | \$ 360,360 | \$ 351,693 |

Net Investment of Capital Assets – The largest component of the \$529.5 million in total assets is the City's investment in capital assets (e.g., land, buildings, infrastructure, and equipment), representing \$349 million or 69% of total assets.

Noncurrent Liabilities –Of the \$230.7 million in long-term (non-current) liabilities, \$48.3 million represents outstanding bonded debt, leases, subscription-based information technology arrangements, compensated absences, and claims, \$157.6 million represents net pension liability, and \$24.8 million represents the City’s total OPEB liability. During the fiscal year ended June 30, 2023, the noncurrent liabilities increased \$54.2 million, of which \$60.3 million was related to the increase in net pension liability. The CalPERS board adopted a new strategic asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.9% for financial reporting purposes. These new assumptions will be reflected in the GASB 68 accounting valuation reports for June 30, 2022, measurement date. Please refer to Note 10 to the financial statements for additional information.

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, 2023
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total Activities | |
|--|-------------------------|---------------|--------------------------|---------------|------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 6,686 | \$ 7,596 | \$ 32,624 | \$ 34,905 | \$ 39,310 | \$ 42,501 |
| Operating grants and contributions | 10,788 | 5,446 | 11 | 128 | 10,799 | 5,574 |
| Capital grants and contributions | 1,815 | 2,650 | - | - | 1,815 | 2,650 |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes | 27,008 | 24,424 | - | - | 27,008 | 24,424 |
| Sales taxes | 28,812 | 24,098 | - | - | 28,812 | 24,098 |
| Transient occupancy taxes | 2,230 | 1,777 | - | - | 2,230 | 1,777 |
| Franchise taxes | 2,833 | 2,621 | - | - | 2,833 | 2,621 |
| Business license taxes | 1,146 | 1,090 | - | - | 1,146 | 1,090 |
| Other taxes | 329 | 651 | - | - | 329 | 651 |
| Motor vehicle in lieu | 110 | 110 | - | - | 110 | 110 |
| Use of money and property | 3,911 | (3,486) | 237 | (941) | 4,148 | (4,427) |
| Other | 3,625 | 4,555 | - | 83 | 3,625 | 4,638 |
| Gain on sale of capital asset | 274 | 26 | 69 | 45 | 343 | 71 |
| Total Revenues | 89,567 | 71,558 | 32,941 | 34,220 | 122,508 | 105,778 |
| Expenses: | | | | | | |
| General government | 9,467 | 4,210 | - | - | 9,467 | 4,210 |
| Public safety | 45,981 | 2,480 | - | - | 45,981 | 2,480 |
| Community development | 2,889 | 707 | - | - | 2,889 | 707 |
| Community services | 10,309 | 5,188 | - | - | 10,309 | 5,188 |
| Public works | 16,514 | 9,072 | - | - | 16,514 | 9,072 |
| Interest on long-term debt | 27 | 283 | - | - | 27 | 283 |
| Urban runoff | - | - | 621 | 248 | 621 | 248 |
| Water utility | - | - | 16,848 | 16,082 | 16,848 | 16,082 |
| Sewer utility | - | - | 2,646 | 547 | 2,646 | 547 |
| Sanitation | - | - | 4,008 | 1,603 | 4,008 | 1,603 |
| Information Technology External Support | - | - | 953 | (279) | 953 | (279) |
| Golf Course | - | - | 3,579 | 3,925 | 3,579 | 3,925 |
| Total Expenses | 85,187 | 21,940 | 28,655 | 22,126 | 113,842 | 44,066 |
| Change in net position before transfers | 4,380 | 49,618 | 4,286 | 12,094 | 8,666 | 61,712 |
| Transfers | 1,725 | (745) | (1,725) | 745 | - | - |
| Change in net position | 6,105 | 48,873 | 2,561 | 12,839 | 8,666 | 61,712 |
| Net position at beginning of year, as restated | 230,907 | 182,034 | 120,787 | 107,948 | 351,694 | 289,982 |
| Net position at end of year | \$ 237,012 | \$ 230,907 | \$ 123,348 | \$ 120,787 | \$ 360,360 | \$ 351,694 |

The City's total revenues for the fiscal year ended June 30, 2023 were \$122.5 million. Of the City's total revenues, \$39.3 million (32.1%) were derived from fees charged for services, and \$62.5 million (51%) were received in taxes. Overall, revenues for the fiscal year ended June 30, 2023 increased by \$16.7 million, a 15.8% increase from the prior year.

- Charges for services decreased \$3.2 million mainly due to the consistency of in-person events being held in the current fiscal year as the prior fiscal year was higher compared to 2021 due to COVID-19.
- Operating grants and contributions increased \$5.2 million partly due to the final receipt in the amount of \$5.2 million of the City's share of the American Rescue Plan Act (ARPA) funds to assist in the economic recovery from COVID-19.
- Total taxes increased \$7.7 million mainly attributable to sales taxes, which increased \$4.7 million from the increase in consumer spending from the prior year from continuing recovery related to COVID-19.
- Use of money and property increased \$8.6 million mainly due to the increase in investment income as interest rates have increased due to market rate shifts.

The City's total expenses were \$113.8 million, comprising of \$16.5 million (14.5%) for public works, \$10.3 million (9%) for community services and \$28.6 million (25.1%) for business-type activities. Total expenses increased \$69.8 million from the prior year. Of the total increase, \$60.3 million was attributable to the change in net pension liabilities and related deferred outflows and inflows of resources thus significantly increasing the expenses in public safety, public works, water utility, sanitation, sewer utility, and general government. Please refer to Note 10 to the financial statements and the required supplementary information for additional information on the City's pension expense.

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.

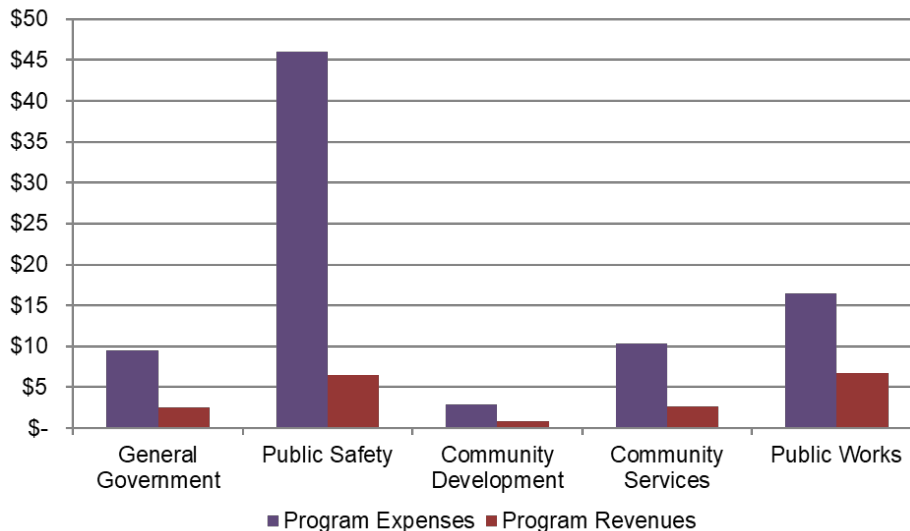
**Table 3
Governmental Activities
(in thousands)**

| | Program Expenses | | Net Cost (revenue) of Services | |
|-----------------------|------------------|------------------|--------------------------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| General government | \$ 9,467 | \$ 4,210 | \$ 6,960 | \$ 1,043 |
| Public safety | 45,981 | 2,480 | 39,439 | 377 |
| Community development | 2,889 | 707 | 2,041 | (330) |
| Community services | 10,309 | 5,188 | 7,606 | 3,174 |
| Public works | 16,514 | 9,072 | 9,826 | 1,701 |
| Totals | \$ 85,160 | \$ 21,657 | \$ 65,872 | \$ 5,965 |

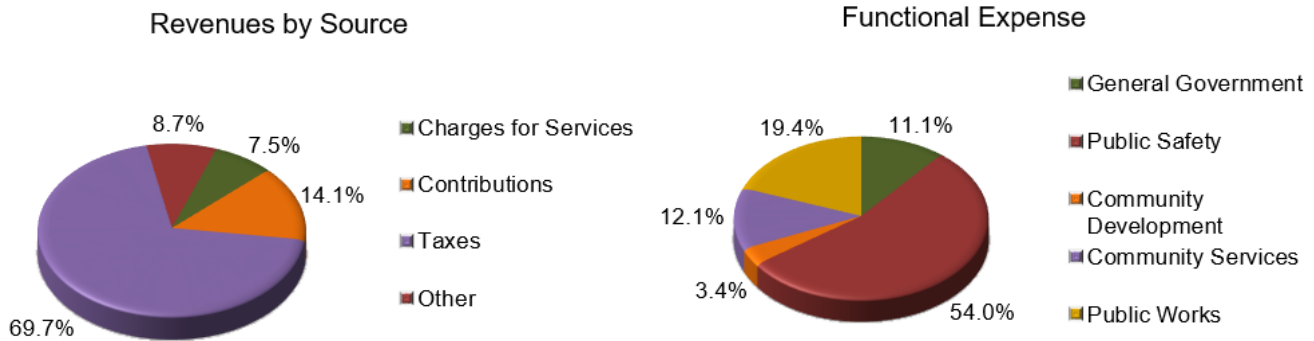
With the exception of the prior year for community development, the net cost of services indicates that the overall cost of government is more than the revenues generated to support it. See the Statement of Activities for further detail on program revenues and general revenues.

Overall program expenses have increased from prior year by \$63.5 million and an increase in net cost of services by \$59.9 million due to the significant increase in pension expense as previously discussed. Please refer to Note 10 to the financial statements and the required supplementary information for additional information on the City’s pension expense.

**Table 4
Program Expenses and Revenues - Governmental Activities
Fiscal Year Ended June 30, 2023
(in millions)**



**Table 5
Governmental Activities
Fiscal Year Ended June 30, 2023**



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

Revenues

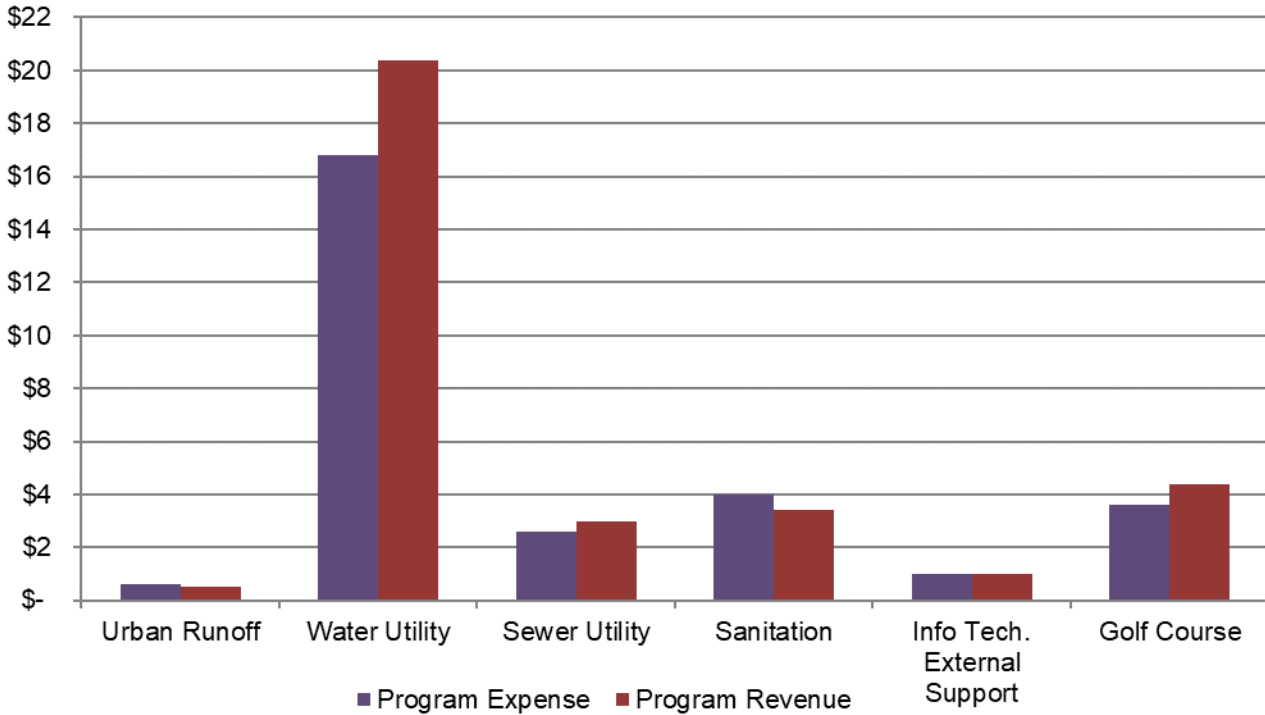
- The City’s total governmental activities included program and general revenues of \$89.6 million. Charges for services was \$6.7 million (7.5%), both operating and capital grants and contributions were \$12.6 million (14.1%), taxes were \$62.5 million (69.7%) and other revenues were \$7.8 million (8.7%).
- Of the \$91.3 million in total governmental revenues and transfers, 21.1% represents program revenues (both charges for services and contributions), 68.3% represents taxes and 10.6% represents other.

Expenses

- In the current year, expenses for all Governmental Activities were \$85.2 million. Of the total \$85.2 million in total governmental expenses, 11.1% was spent on general government, 54.0% on public safety, which includes both police and fire, community development was 3.4%, community services was 12.1% and public works was 19.4%.

Business-type Activities – Business-type Activities increased the City’s net position by \$2.6 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, 2023
(in millions)



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

The Water Utility had an increase in net position of \$2.1 million. The increase in net position was primarily due to operating income of \$5.5 million, less \$1.5 million in nonoperating expenses. Of the \$14.9 million in water related expenses, 59.0% was for the purchase of water, 17.9% was for maintenance and other operating expenses, 17.7% was related to depreciation expense, and (5.3%) in personnel costs. Water rates were adjusted in January 2023, to fund on-going operations, recapture the bond coverage ratio and provide funding for planned capital improvements to the water utility system.

The Sewer Utility had an increase in net position of \$0.4 million. The increase in net position was primarily due to operating income of \$0.4 million which was mainly due to increased rates.

The Urban Runoff had a decrease in net position of \$109,428. Operating expenses, which included maintenance and operation costs of \$217,831 and personnel costs of \$391,996, totaled \$609,827, depreciation expense totaled \$438, while revenues totaled \$500,837.

The Sanitation Utility had a decrease in net position of \$354,827. The decrease in net position was due to operating expenses of \$3.9 million exceeding operating and nonoperating revenues of \$3.5 million.

The Information Technology External Support had a decrease in net position of \$71,216, primarily due to the offset of personnel costs from the increase for contract services.

The Golf Course had an increase in net position of \$845,674. The increase in net position was primarily due to operating income of \$787,329 over non-operating income and transfers of \$58,345.

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.

As of June 30, 2023, the City's governmental funds reported a total combined ending fund balance of \$98.1 million, an increase of \$4.8 million from the prior year. Approximately 56.9% of the City's governmental funds ending fund balances, or \$55.9 million was restricted fund balance and is legally restricted by external parties. The remaining \$42.2 million is *committed, assigned and unassigned fund balance*, which is available for spending at the government's discretion. Please refer to Note 13 to financial statements for additional details on fund balance classifications.

The General Fund ended the fiscal year with a fund balance of \$53.1, which is a net increase of \$4.6 million, which is mainly due to increases in tax revenue and receipt of the final tranche in ARPA funding. The General Fund's unassigned fund balance of \$29.3 million is available for future appropriations.

The Housing Successor Fund ended the fiscal year with a fund balance of \$20.1 million all of which is restricted for affordable housing activities.

The City's Capital Projects Fund ended the fiscal year with a fund balance of \$6.2 million, a decrease of \$350,323. The decrease was primarily due to expenditures in capital projects and improvements. The fund balance of \$6.2 million is restricted 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 \$90.1 million, an increase of \$2.1 million from the prior year. The increase in net position was primarily due to revenues over expenditures of \$2.1 million. Of the \$90.1 million in net position, \$67.2 million is net investment in capital assets, \$2.2 million is restricted for debt service and \$20.7 million is unrestricted. Amounts have been allocated or encumbered for capital projects currently under construction. Please refer to the Capital Asset Table 7 below for additional discussion.

The Sewer Utility Fund ended the fiscal year with \$23.2 million in net position, an increase of \$430,777. The increase in net position was primarily due the increase in charges for services. Of the \$23.2 million in net position \$19.5 million is net investment in capital assets and \$3.7 million is unrestricted. Amounts have been allocated or encumbered for capital projects currently under construction. Please refer to the Capital Asset Table 7 below for additional discussion.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variances to Original Budget

Differences between the General Fund original budget revenues and the final amended budget were increased by \$7.6 million and are briefly summarized as follows:

- It was initially assumed the City would receive \$5.2 million in American Rescue Plan Act (ARPA) funding as part of the second tranche before June 30, 2022. The funds however were received after July 1, 2022, which resulted in an adjustment to the final budget. In addition, intergovernmental revenues were increased by \$0.1 million as a result of state revenue reimbursement from the California Highway Patrol (CHP) through the Cannabis Tax Fund Grant Program.
- Sales tax revenues were increased by \$3.4 million and Property tax revenues were decreased by \$1.0 million for a net change of \$2.4 million as actual property tax receipts were lower than projected.

Differences between the General Fund original budget expenditures and the final amended budget were decreased by \$91,711 and are briefly summarized as follows:

- The variance was primarily due to combination of personnel salary and benefit savings realized as well as \$1.5 million in carryover of prior year appropriations to continue various projects including, but not limited to, capital and equipment purchases for city management and community services and professional services in administrative services and community development.

Variances with Final Budget

Differences between the General Fund final budget revenues and actual resources were \$0.1 million less than anticipated. The major variance was attributed to charges for services being lower than projected due to development related fees, including but not limited to, engineering plan check, planning entitlement, etc.

Differences between the General Fund final budget expenditures and actual expenditures were \$1.4 million less than anticipated. The positive variance is primarily attributed to personnel salary and benefit savings from public safety. The \$0.9 million variance in capital outlay is largely attributed to a carryover of prior year appropriations to fund capital outlay associated with providing public education governmental access equipment and community service equipment. These efforts were not completed in this fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2023, amounts to \$349 million (net of accumulated depreciation and amortization). 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 \$5.2 represents a 1.5% increase from last year.

Table 7
Capital Assets (net of depreciation and amortization)
Fiscal Year Ended June 30, 2023
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 62,093 | \$ 62,093 | \$ 11,629 | \$ 11,629 | \$ 73,722 | \$ 73,722 |
| Water rights | - | - | 32,375 | 32,375 | 32,375 | 32,375 |
| Structures and improvements | 61,776 | 62,769 | 4,145 | 4,204 | 65,921 | 66,973 |
| Equipment | 7,358 | 5,792 | 283 | 221 | 7,641 | 6,013 |
| Infrastructure | 66,894 | 68,187 | 79,575 | 71,826 | 146,469 | 140,013 |
| Construction-in-progress | 12,590 | 12,947 | 10,322 | 11,924 | 22,912 | 24,871 |
| Right-to-use assets | 384 | 274 | - | - | 384 | 274 |
| Totals | \$ 211,095 | \$ 212,062 | \$ 138,329 | \$ 132,179 | \$ 349,424 | \$ 344,241 |

Construction-in-progress (CIP) decreased \$357,360 for Governmental Activities and \$1.6 million for Business-Type Activities, as noted above. The increase of \$1.4 million for governmental activities was due to the completion of various projects from CIP transferred to infrastructure assets and the remaining increase is related to various pavement, traffic and street improvement projects not yet completed. The \$5.7 million increase in Business-Type Activities is primarily due to water infrastructure improvement projects that are ongoing throughout the City.

Additional information on the City's capital assets can be found in Note 8 to 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 \$41.5 million for all governmental and business-type activities.

Table 8
Bonds and Capital Leases
Fiscal Year Ended June 30, 2023
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------|----------------------------|-----------------|-----------------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Lease revenue bonds | \$ 2,220 | \$ 2,220 | \$ - | \$ - | \$ 2,220 | \$ 2,220 |
| Water revenue bonds | - | - | 39,205 | 40,675 | 39,205 | 40,675 |
| Totals | \$ 2,220 | \$ 2,220 | \$ 39,205 | \$ 40,675 | \$ 41,425 | \$ 42,895 |

Additional information on the City's long-term debt can be found in Note 9 to financial statements.

FACTORS EFFECTING NEXT YEAR'S BUDGET

The Fiscal Year 2023-25 biennial General Fund budgeted revenues are \$67.7 million for fiscal year 2023-24 and \$69.1 million for fiscal year 2024-25. Budgeted expenditures are \$67.1 million for fiscal year 2023-24 and \$69.1 million for fiscal year 2024-25.

A brief summary of the factors considered when preparing the Fiscal Year 2023-25 budget are as follows:

- Sales tax represents the single largest source of General Fund revenue, budgeted at \$27.1 million for fiscal year 2023-24 and \$27.9 million for fiscal year 2024-25. Based on economic data trends and projections, the City's baseline sales tax is projected to increase by an average of 2.5% for fiscal year 2023-24 and 2024-25. Staff will be closely monitoring sales tax revenues as uncertainty remains related to inflationary pressures, consumer spending and the continuation of recovery efforts in a post pandemic environment.
- General Fund property taxes are projected to increase by an average of 2.7% and currently represent \$15.3 million of General Fund revenues for fiscal year 2023-24 and \$15.6 million for fiscal year 2024-25. Staff will monitor and make adjustment(s) as more information becomes available regarding development projects within the community and as construction begins to break ground.
- The budget expands service levels to the community and represents an average 2.7% increase in budgeted expenditures. Community Services expenditures assume all programs, services and events to be open and available to the community in a post pandemic environment.

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, California 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, 2023

| | Primary Government | | |
|---|----------------------------|-----------------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Current assets | | | |
| Cash and investments | \$ 91,563,683 | \$ 21,923,150 | \$ 113,486,833 |
| Prepaid items | 60 | - | 60 |
| Receivables | | | |
| Taxes | 327,784 | - | 327,784 |
| Accounts | 1,553,966 | 3,768,567 | 5,322,533 |
| Accrued interest | 3,385,891 | - | 3,385,891 |
| Internal balances | 698,134 | (698,134) | - |
| Due from other governments | 7,876,708 | 133,136 | 8,009,844 |
| Land held for resale | 800,000 | - | 800,000 |
| | <u>106,206,226</u> | <u>25,126,719</u> | <u>131,332,945</u> |
| Total current assets | | | |
| Noncurrent assets | | | |
| Restricted assets | | | |
| Cash and investments | 9,387,650 | 936,864 | 10,324,514 |
| Cash and investments with fiscal agents | 1 | 2,213,477 | 2,213,478 |
| Notes and loans receivable | 16,333,718 | - | 16,333,718 |
| Leases receivable | 5,563,013 | - | 5,563,013 |
| Capital assets not being depreciated or amortized | 74,682,920 | 54,326,338 | 129,009,258 |
| Capital assets, net of depreciation and amortization | 136,412,530 | 84,002,771 | 220,415,301 |
| Equity in California Domestic Water Company | - | 14,312,081 | 14,312,081 |
| | <u>242,379,832</u> | <u>155,791,531</u> | <u>398,171,363</u> |
| Total noncurrent assets | | | |
| Total assets | <u>348,586,058</u> | <u>180,918,250</u> | <u>529,504,308</u> |
| Deferred outflows of resources | | | |
| Deferred charge on refunding | - | 1,003,501 | 1,003,501 |
| Deferred amounts related to pensions | 96,021,193 | 2,736,583 | 98,757,776 |
| Deferred amounts related to OPEB | 3,518,231 | 496,301 | 4,014,532 |
| | <u>99,539,424</u> | <u>4,236,385</u> | <u>103,775,809</u> |
| Total deferred outflows of resources | | | (Continued) |

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City of Brea, California
Statement of Net Position
June 30, 2023

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 5,041,640 | \$ 4,436,704 | \$ 9,478,344 |
| Accrued liabilities | 1,279,980 | 95,077 | 1,375,057 |
| Accrued interest | 27,080 | 683,474 | 710,554 |
| Unearned revenue | 4,021,682 | - | 4,021,682 |
| Deposits payable | 409,662 | 248,408 | 658,070 |
| Due to other governments | 1,384,604 | - | 1,384,604 |
| Long-term liabilities, due within one year | 4,214,659 | 1,752,515 | 5,967,174 |
| Total current liabilities | <u>16,379,307</u> | <u>7,216,178</u> | <u>23,595,485</u> |
| Noncurrent liabilities | | | |
| Long-term liabilities, due in more than one year | 7,340,888 | 41,003,369 | 48,344,257 |
| Total OPEB liability | 21,451,901 | 3,354,682 | 24,806,583 |
| Net pension liability | 148,252,809 | 9,362,882 | 157,615,691 |
| Total noncurrent liabilities | <u>177,045,598</u> | <u>53,720,933</u> | <u>230,766,531</u> |
| Total liabilities | <u>193,424,905</u> | <u>60,937,111</u> | <u>254,362,016</u> |
| Deferred inflows of resources | | | |
| Deferred amounts related to leases | 5,442,300 | - | 5,442,300 |
| Deferred amounts related to pensions | 6,752,819 | 234,097 | 6,986,916 |
| Deferred amounts related to OPEB | 5,492,910 | 635,585 | 6,128,495 |
| Total deferred inflows of resources | <u>17,688,029</u> | <u>869,682</u> | <u>18,557,711</u> |
| Net position | | | |
| Net investment in capital assets | 208,081,095 | 96,873,414 | 304,954,509 |
| Restricted for | | | |
| Affordable housing | 23,483,421 | - | 23,483,421 |
| Public safety | 471,250 | - | 471,250 |
| Public works | 8,657,852 | - | 8,657,852 |
| Capital projects | 12,639,503 | - | 12,639,503 |
| Debt service | - | 2,213,477 | 2,213,477 |
| Unrestricted | (16,320,573) | 24,260,951 | 7,940,378 |
| Total net position | <u>\$ 237,012,548</u> | <u>\$ 123,347,842</u> | <u>\$ 360,360,390</u> |

City of Brea, California
Statement of Activities
Year Ended June 30, 2023

| Functions/Programs | Expenses | Program Revenues | | |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities | | | | |
| General government | \$ 9,466,893 | \$ 514,792 | \$ 1,991,857 | \$ - |
| Public safety | 45,981,340 | 729,739 | 5,812,913 | - |
| Community development | 2,888,919 | 595,142 | 122,406 | 130,770 |
| Community services | 10,309,313 | 2,103,722 | 599,028 | - |
| Public works | 16,514,002 | 2,742,326 | 2,261,776 | 1,684,013 |
| Interest on long-term debt | 27,156 | - | - | - |
| Total governmental activities | 85,187,623 | 6,685,721 | 10,787,980 | 1,814,783 |
| Business-Type Activities | | | | |
| Urban runoff | 620,593 | 495,320 | - | - |
| Water utility | 16,847,646 | 20,359,095 | - | - |
| Sewer utility | 2,645,816 | 3,029,057 | - | - |
| Sanitation | 4,008,519 | 3,367,310 | 11,288 | - |
| Information technology external support | 952,912 | 1,006,864 | - | - |
| Golf course | 3,579,244 | 4,366,573 | - | - |
| Total business-type activities | 28,654,730 | 32,624,219 | 11,288 | - |
| Total primary government | \$ 113,842,353 | \$ 39,309,940 | \$ 10,799,268 | \$ 1,814,783 |

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, Beginning of Year, as restated

Net Position, End of Year

City of Brea, California
Statement of Activities
Year Ended June 30, 2023

| Total Program Revenues | Net (Expense) Revenue and Changes in Net Position | | |
|------------------------------|---|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| \$ 2,506,649 | \$ (6,960,244) | \$ - | \$ (6,960,244) |
| 6,542,652 | (39,438,688) | - | (39,438,688) |
| 848,318 | (2,040,601) | - | (2,040,601) |
| 2,702,750 | (7,606,563) | - | (7,606,563) |
| 6,688,115 | (9,825,887) | - | (9,825,887) |
| - | (27,156) | - | (27,156) |
| <u>19,288,484</u> | <u>(65,899,139)</u> | <u>-</u> | <u>(65,899,139)</u> |
| 495,320 | - | (125,273) | (125,273) |
| 20,359,095 | - | 3,511,449 | 3,511,449 |
| 3,029,057 | - | 383,241 | 383,241 |
| 3,378,598 | - | (629,921) | (629,921) |
| 1,006,864 | - | 53,952 | 53,952 |
| 4,366,573 | - | 787,329 | 787,329 |
| <u>32,635,507</u> | <u>-</u> | <u>3,980,777</u> | <u>3,980,777</u> |
| <u>\$ 51,923,991</u> | <u>(65,899,139)</u> | <u>3,980,777</u> | <u>(61,918,362)</u> |
| | 21,401,659 | - | 21,401,659 |
| | 5,606,774 | - | 5,606,774 |
| | 2,230,007 | - | 2,230,007 |
| | 28,812,030 | - | 28,812,030 |
| | 2,833,149 | - | 2,833,149 |
| | 1,145,905 | - | 1,145,905 |
| | 329,456 | - | 329,456 |
| | 110,277 | - | 110,277 |
| | 3,911,184 | 236,871 | 4,148,055 |
| | 3,624,522 | - | 3,624,522 |
| | 274,083 | 68,656 | 342,739 |
| | <u>70,279,046</u> | <u>305,527</u> | <u>70,584,573</u> |
| | <u>1,725,246</u> | <u>(1,725,246)</u> | <u>-</u> |
| | 6,105,153 | 2,561,058 | 8,666,211 |
| | <u>230,907,395</u> | <u>120,786,784</u> | <u>351,694,179</u> |
| | <u>\$ 237,012,548</u> | <u>\$ 123,347,842</u> | <u>\$ 360,360,390</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, 2023

| | General | Special Revenue Fund Housing Successor | Capital Projects Fund Capital Improvements | Non-major Governmental Funds | Total Governmental Funds |
|---|----------------------|---|---|------------------------------------|--------------------------------|
| Assets | | | | | |
| Cash and investments | \$ 38,401,231 | \$ 5,320,376 | \$ 12,079,627 | \$ 20,244,222 | \$ 76,045,456 |
| Prepaid items | 60 | - | - | - | 60 |
| Receivables | | | | | |
| Taxes | 291,298 | - | - | 36,486 | 327,784 |
| Accounts | 1,460,421 | - | - | 2,595 | 1,463,016 |
| Interest | 542,454 | 2,843,437 | - | - | 3,385,891 |
| Notes and loans | - | 14,843,802 | - | 1,489,916 | 16,333,718 |
| Leases | 5,563,013 | - | - | - | 5,563,013 |
| Due from other funds | 173,222 | - | - | - | 173,222 |
| Due from other governments | 6,592,967 | - | 748,648 | 535,093 | 7,876,708 |
| Land held for resale | - | 800,000 | - | - | 800,000 |
| Restricted assets: | | | | | |
| Cash and investments | 9,387,650 | - | - | - | 9,387,650 |
| Cash and investments with fiscal agents | 1 | - | - | - | 1 |
| Total assets | \$ 62,412,317 | \$ 23,807,615 | \$ 12,828,275 | \$ 22,308,312 | \$ 121,356,519 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | | |
| Liabilities | | | | | |
| Account payable | \$ 997,744 | \$ 5,566 | \$ 3,442,833 | \$ 272,493 | \$ 4,718,636 |
| Accrued liabilities | 1,176,446 | 2,464 | 3,529 | 21,153 | 1,203,592 |
| Unearned revenues | 844 | - | 2,422,374 | 1,598,464 | 4,021,682 |
| Deposits payable | 408,745 | 917 | - | - | 409,662 |
| Due to other funds | - | - | - | 173,222 | 173,222 |
| Due to other governments | 1,412 | - | - | 1,383,192 | 1,384,604 |
| Total liabilities | 2,585,191 | 8,947 | 5,868,736 | 3,448,524 | 11,911,398 |
| Deferred Inflows of Resources | | | | | |
| Deferred amounts related to leases | 5,442,300 | - | - | - | 5,442,300 |
| Unavailable revenues | 1,327,730 | 3,691,451 | 748,648 | 103,575 | 5,871,404 |
| Total deferred inflows of resources | 6,770,030 | 3,691,451 | 748,648 | 103,575 | 11,313,704 |
| Fund Balances | | | | | |
| Nonspendable | 60 | - | - | - | 60 |
| Restricted | 10,634,967 | 20,107,217 | 6,210,891 | 18,933,918 | 55,886,993 |
| Committed | 1,443,668 | - | - | - | 1,443,668 |
| Assigned | 11,633,475 | - | - | - | 11,633,475 |
| Unassigned (deficit) | 29,344,926 | - | - | (177,705) | 29,167,221 |
| Total fund balances | 53,057,096 | 20,107,217 | 6,210,891 | 18,756,213 | 98,131,417 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 62,412,317 | \$ 23,807,615 | \$ 12,828,275 | \$ 22,308,312 | \$ 121,356,519 |

City of Brea, California
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2023

| | | |
|--|----------------------|------------------------------|
| Fund balances of governmental funds | | \$ 98,131,417 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets, net of depreciation and amortization, have not been included as financial resources in governmental fund activity. Those capital assets consist of: | | |
| Total capital assets, net of depreciation and amortization | \$ 366,536,485 | |
| Accumulated depreciation and amortization | <u>(160,780,960)</u> | 205,755,525 |
| 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 | (2,679,498) | |
| Subscription IT liabilities | (195,228) | |
| Lease liabilities | (107,618) | |
| Compensated absences | <u>(2,730,067)</u> | (5,712,411) |
| 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. | | |
| | | (27,080) |
| 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 | (141,222,795) | |
| Total OPEB liability | (19,442,321) | |
| Deferred outflows of resources related to pensions | 93,966,463 | |
| Deferred outflows of resources related to OPEB | 3,185,172 | |
| Deferred inflows of resources related to pensions | (6,577,050) | |
| Deferred inflows of resources related to OPEB | <u>(5,091,473)</u> | (75,182,004) |
| Revenues reported as unavailable revenues in the governmental funds do not provide current financial resources but are recognized in the statement of activities. | | |
| | | 5,871,404 |
| 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>8,175,697</u> |
| Net Position of Governmental Activities | | <u><u>\$ 237,012,548</u></u> |

City of Brea, California
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

| | General | Special Revenue Fund Housing Successor | Capital Projects Fund Capital Improvements | Non-major Governmental Funds | Total Governmental Funds |
|--|----------------------|---|---|------------------------------------|--------------------------------|
| Revenues | | | | | |
| Taxes | \$ 56,229,925 | \$ - | \$ - | \$ 2,886,888 | \$ 59,116,813 |
| Licenses and permits | 393,659 | - | - | - | 393,659 |
| Intergovernmental | 14,203,467 | - | 357,891 | 2,491,304 | 17,052,662 |
| Charges for services | 3,446,957 | - | 205,920 | - | 3,652,877 |
| Investment income, net | 1,097,842 | 40,590 | 42,895 | 95,866 | 1,277,193 |
| Fines and forfeitures | 323,185 | - | - | 7,393 | 330,578 |
| Rental income | 2,580,302 | - | - | - | 2,580,302 |
| Other revenues | 2,354,378 | 33,000 | 20,112 | 2,512,434 | 4,919,924 |
| Total revenues | 80,629,715 | 73,590 | 626,818 | 7,993,885 | 89,324,008 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 8,533,760 | 10,351 | 527,339 | 71,905 | 9,143,355 |
| Public safety | 42,440,042 | - | 99,164 | 1,672,941 | 44,212,147 |
| Community development | 2,496,372 | 245,463 | - | 131,214 | 2,873,049 |
| Community services | 9,612,938 | - | - | - | 9,612,938 |
| Public works | 6,845,184 | - | 49,780 | 2,900,794 | 9,795,758 |
| Capital outlay | 537,016 | - | 5,809,640 | - | 6,346,656 |
| Debt service | | | | | |
| Principal | 118,266 | - | - | - | 118,266 |
| Interest and fiscal charges | 92,968 | - | - | - | 92,968 |
| Total expenditures | 70,676,546 | 255,814 | 6,485,923 | 4,776,854 | 82,195,137 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 9,953,169 | (182,224) | (5,859,105) | 3,217,031 | 7,128,871 |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from sale of capital assets | 3,331 | - | - | 6,000 | 9,331 |
| Subscriptions | 36,055 | - | - | - | 36,055 |
| Leases (lessee) | 111,620 | - | - | - | 111,620 |
| Transfers in | 450,000 | - | 5,558,027 | 56,000 | 6,064,027 |
| Transfers out | (5,899,731) | - | (49,245) | (2,627,550) | (8,576,526) |
| Total other financing sources (uses) | (5,298,725) | - | 5,508,782 | (2,565,550) | (2,355,493) |
| Net Changes in Fund Balances | 4,654,444 | (182,224) | (350,323) | 651,481 | 4,773,378 |
| Fund Balances, Beginning of Year | 48,402,652 | 20,289,441 | 6,561,214 | 18,104,732 | 93,358,039 |
| Fund Balances, End of Year | \$ 53,057,096 | \$ 20,107,217 | \$ 6,210,891 | \$ 18,756,213 | \$ 98,131,417 |

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, 2023

| | | |
|---|--------------------|---------------------|
| Net change in fund balances - total governmental funds | | \$ 4,773,378 |
| 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 its estimated useful lives as depreciation expenses. Additionally, certain capital contributions are only reported as revenues on the government wide statement of activities. | | |
| Capital outlay | \$ 6,346,656 | |
| Loss on disposal of assets | 268,607 | |
| Other capitalized expenditures | 269,860 | |
| Depreciation/amortization | <u>(8,140,261)</u> | (1,255,138) |
| 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. | | |
| Principal payments | | 118,266 |
| Issuance of long term debt, including leases and SBITAs | | (147,675) |
| Bond premium | | 70,692 |
| 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 | | (4,880) |
| Changes in compensated absences | | 8,767 |
| Changes in total OPEB liabilities and related deferred outflows and inflows of resources | | 496,068 |
| Changes in net pension liabilities and related deferred outflows and inflows of resources | | (752,903) |
| Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds. | | |
| | | (96,191) |
| 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>2,894,769</u> |
| Change in net position of governmental activities | | <u>\$ 6,105,153</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 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.

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 another department on a cost reimbursement basis.

City of Brea, California
Statement of Net Position – Proprietary Funds
June 30, 2023

| | Business-Type Activities | | |
|--|--------------------------|----------------------|-------------------------------|
| | Water Utility | Sewer Utility | Non-major Enterprise Funds |
| Assets | | | |
| Current assets | | | |
| Cash and investments | \$ 12,592,156 | \$ 5,090,615 | \$ 4,240,379 |
| Receivables | | | |
| Accounts receivable, net | 2,761,159 | 401,769 | 605,639 |
| Due from other governments | - | - | 133,136 |
| Total current assets | <u>15,353,315</u> | <u>5,492,384</u> | <u>4,979,154</u> |
| Noncurrent assets | | | |
| Restricted cash and investments | 470,420 | 172,095 | 294,349 |
| Restricted cash and investments with fiscal agent | 2,213,477 | - | - |
| Capital assets not being depreciated or amortized | 42,639,662 | 2,876,076 | 8,810,600 |
| Capital assets, net of accumulated depreciation and amortization | 65,993,135 | 16,645,677 | 1,363,959 |
| Equity in California Domestic Water Company | 14,312,081 | - | - |
| Total noncurrent assets | <u>125,628,775</u> | <u>19,693,848</u> | <u>10,468,908</u> |
| Total assets | <u>140,982,090</u> | <u>25,186,232</u> | <u>15,448,062</u> |
| Deferred outflows of resources | | | |
| Deferred charge on refunding | 1,003,501 | - | - |
| Deferred pension related items | 1,325,262 | 541,035 | 870,286 |
| Deferred OPEB related items | 236,836 | 86,281 | 173,184 |
| Total deferred outflows of resources | <u>2,565,599</u> | <u>627,316</u> | <u>1,043,470</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 3,492,812 | 25,493 | 918,399 |
| Accrued liabilities | 49,081 | 17,882 | 28,114 |
| Accrued interest | 683,474 | - | - |
| Deposits payable | 248,408 | - | - |
| Compensated absences, due within one year | 118,544 | 44,267 | 59,704 |
| Claims and judgments, due within one year | - | - | - |
| Bonds, notes, leases, and SBITAs, due within one year | 1,530,000 | - | - |
| Total current liabilities | <u>6,122,319</u> | <u>87,642</u> | <u>1,006,217</u> |
| Non-current liabilities | | | |
| Compensated absences, due in more than one year | 39,515 | 14,756 | 19,902 |
| Claims and judgments, due in more than one year | - | - | - |
| Net pension liability | 4,534,221 | 1,851,085 | 2,977,576 |
| Total OPEB liability | 1,396,782 | 506,060 | 1,451,840 |
| Bonds, notes, leases, and SBITAs, due in more than one year | 40,929,196 | - | - |
| Total noncurrent liabilities | <u>46,899,714</u> | <u>2,371,901</u> | <u>4,449,318</u> |
| Total liabilities | <u>53,022,033</u> | <u>2,459,543</u> | <u>5,455,535</u> |
| Deferred inflows of resources | | | |
| Deferred pension related items | 113,367 | 46,282 | 74,448 |
| Deferred OPEB related items | 290,522 | 110,863 | 234,200 |
| Total Deferred Inflows of Resources | <u>403,889</u> | <u>157,145</u> | <u>308,648</u> |
| Net position | | | |
| Net investment in capital assets | 67,177,102 | 19,521,753 | 10,174,559 |
| Restricted for debt service | 2,213,477 | - | - |
| Unrestricted | 20,731,188 | 3,675,107 | 552,790 |
| Total net position | <u>\$ 90,121,767</u> | <u>\$ 23,196,860</u> | <u>\$ 10,727,349</u> |

(Continued)

City of Brea, California
Statement of Net Position – Proprietary Funds
June 30, 2023

| | Total Enterprise Funds | Governmental Activities Internal Service Funds |
|--|------------------------------|---|
| Assets | | |
| Current assets | | |
| Cash and investments | \$ 21,923,150 | \$ 15,518,227 |
| Receivables | | |
| Accounts receivable | 3,768,567 | 90,950 |
| Due from other governments | 133,136 | - |
| Total current assets | 25,824,853 | 15,609,177 |
| Noncurrent assets | | |
| Restricted cash and investments | 936,864 | - |
| Restricted - Cash and investments with fiscal agent | 2,213,477 | - |
| Capital assets - nondepreciable | 54,326,338 | - |
| Capital assets, net of accumulated depreciation and amortization | 84,002,771 | 5,339,925 |
| Equity in California Domestic Water Company | 14,312,081 | - |
| Total noncurrent assets | 155,791,531 | 5,339,925 |
| Total assets | 181,616,384 | 20,949,102 |
| Deferred outflows of resources | | |
| Deferred charge on refunding | 1,003,501 | - |
| Deferred pension related items | 2,736,583 | 2,054,730 |
| Deferred OPEB related items | 496,301 | 333,059 |
| Total deferred outflows of resources | 4,236,385 | 2,387,789 |
| Total assets and deferred outflows of resources | \$ 185,852,769 | \$ 23,336,891 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | \$ 4,436,704 | \$ 323,004 |
| Accrued liabilities | 95,077 | 76,388 |
| Accrued interest | 683,474 | - |
| Deposits payable | 248,408 | - |
| Compensated absences, due within one year | 222,515 | 77,340 |
| Claims and judgments, due within one year | - | 1,940,722 |
| Bonds, notes, and leases, due within one year | 1,530,000 | 15,785 |
| Total current liabilities | 7,216,178 | 2,433,239 |
| Non-current liabilities | | |
| Compensated absences, due in more than one year | 74,173 | 25,780 |
| Claims and judgments, due in more than one year | - | 3,767,283 |
| Net pension liability | 9,362,882 | 7,030,014 |
| Total OPEB liability | 3,354,682 | 2,009,580 |
| Bonds, notes, and leases, due in more than one year | 40,929,196 | 16,226 |
| Total noncurrent liabilities | 53,720,933 | 12,848,883 |
| Total liabilities | 60,937,111 | 15,282,122 |
| Deferred inflows of resources | | |
| Deferred pension related items | 234,097 | 175,769 |
| Deferred OPEB related items | 635,585 | 401,437 |
| Total Deferred Inflows of Resources | 869,682 | 577,206 |
| Net position | | |
| Net investment in capital assets | 96,873,414 | 5,339,925 |
| Restricted for debt service | 2,213,477 | - |
| Unrestricted | 24,959,085 | 2,137,638 |
| Total net position | \$ 124,045,976 | \$ 7,477,563 |
| Reconciliation of Net Position to the Statement of Net Position | | |
| Net Position per Statement of Net Position - Proprietary Funds | \$ 124,045,976 | |
| Accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds | (698,134) | |
| Net position of business-type activities | \$ 123,347,842 | |

City of Brea, California
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2023

| | Business-Type Activities | | |
|--|--------------------------|----------------------|----------------------------------|
| | Water Utility | Sewer Utility | Non-major Enterprise Funds |
| Operating Revenues | | | |
| Charges for services | \$ 19,776,701 | \$ 3,003,657 | \$ 9,171,459 |
| Connection fees | 97,599 | 6,960 | - |
| Fines and forfeitures | 399,213 | - | 39,510 |
| Other revenues | 85,582 | 18,440 | 25,098 |
| Total operating revenues | <u>20,359,095</u> | <u>3,029,057</u> | <u>9,236,067</u> |
| Operating Expenses | | | |
| Personnel services | 791,354 | 1,047,628 | 1,861,975 |
| Maintenance and operation | 2,664,686 | 993,198 | 7,095,347 |
| Cost of purchased water | 8,772,344 | - | - |
| Claims and judgements | - | - | - |
| Depreciation/Amortization | 2,644,200 | 546,627 | 81,352 |
| Total operating expenses | <u>14,872,584</u> | <u>2,587,453</u> | <u>9,038,674</u> |
| Operating income (loss) | <u>5,486,511</u> | <u>441,604</u> | <u>197,393</u> |
| Nonoperating Revenues (Expenses) | | | |
| Intergovernmental revenues | - | - | 11,288 |
| Interest revenue | 151,237 | 43,613 | 42,021 |
| Interest expense | (1,583,242) | - | - |
| Change in equity of California Domestic Water Company | (134,662) | - | - |
| Gain on disposal of capital assets | 68,656 | - | - |
| Total nonoperating revenues (expenses) | <u>(1,498,011)</u> | <u>43,613</u> | <u>53,309</u> |
| Income before transfers | <u>3,988,500</u> | <u>485,217</u> | <u>250,702</u> |
| Transfers | | | |
| Transfers in | - | - | 201,933 |
| Transfers out | (1,872,739) | (54,440) | - |
| Total transfers | <u>(1,872,739)</u> | <u>(54,440)</u> | <u>201,933</u> |
| Change in Net Position | 2,115,761 | 430,777 | 452,635 |
| Net Position | | | |
| Net Position, Beginning of Year | <u>88,006,006</u> | <u>22,766,083</u> | <u>10,274,714</u> |
| Net Position, End of Year | <u>\$ 90,121,767</u> | <u>\$ 23,196,860</u> | <u>\$ 10,727,349</u> |

City of Brea, California
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2023

| | <u>Total Enterprise Funds</u> | <u>Governmental Activities Internal Service Funds</u> |
|---|---------------------------------------|---|
| Operating Revenues | | |
| Charges for services | \$ 31,951,817 | \$ 12,826,820 |
| Connection fees | 104,559 | - |
| Fines and forfeitures | 438,723 | - |
| Other revenues | 129,120 | 162,438 |
| Total operating revenues | <u>32,624,219</u> | <u>12,989,258</u> |
| Operating Expenses | | |
| Personnel services | 3,700,957 | 2,981,933 |
| Maintenance and operation | 10,753,231 | 8,673,708 |
| Cost of purchased water | 8,772,344 | - |
| Claims and judgements | - | 2,278,418 |
| Depreciation/Amortization | 3,272,179 | 898,063 |
| Total operating expenses | <u>26,498,711</u> | <u>14,832,122</u> |
| Operating income (loss) | <u>6,125,508</u> | <u>(1,842,864)</u> |
| Nonoperating Revenues (Expenses) | | |
| Intergovernmental revenues | 11,288 | - |
| Interest revenue | 236,871 | 65,628 |
| Interest expense | (1,583,242) | - |
| Change in equity of California Domestic Water Company | (134,662) | - |
| Gain on disposal of capital assets | 68,656 | (3,855) |
| Total nonoperating revenues (expenses) | <u>(1,401,089)</u> | <u>61,773</u> |
| Income before transfers | <u>4,724,419</u> | <u>(1,781,091)</u> |
| Transfers | | |
| Transfers in | 201,933 | 4,237,745 |
| Transfers out | (1,927,179) | - |
| Total transfers | <u>(1,725,246)</u> | <u>4,237,745</u> |
| Change in Net Position | 2,999,173 | 2,456,654 |
| Net Position | | |
| Net Position, Beginning of Year | <u>121,046,803</u> | <u>5,020,909</u> |
| Net Position, End of Year | <u>\$ 124,045,976</u> | <u>\$ 7,477,563</u> |
| 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 | \$ 2,999,173 | |
| Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds | <u>(438,115)</u> | |
| Changes in Net Position of Business-Type Activities per Statement of Activities | <u>\$ 2,561,058</u> | |

City of Brea, California
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023

| | Business-Type Activities | | |
|---|--------------------------|---------------------|----------------------------------|
| | Water Utility | Sewer Utility | Non-major Enterprise Funds |
| Operating Activities | | | |
| Cash received from customers and users | \$ 21,518,766 | \$ 3,066,320 | \$ 9,365,910 |
| Cash payments to suppliers for goods and services | (12,890,956) | (982,349) | (7,241,312) |
| Cash payments to employees for services | (433,738) | (921,061) | (1,699,998) |
| Net Cash Provided by (used for) Operating Activities | <u>8,194,072</u> | <u>1,162,910</u> | <u>424,600</u> |
| Noncapital Financing Activities | | | |
| Cash transfer out | (1,872,739) | (54,440) | - |
| Cash transfer in | - | - | 201,933 |
| Purchase of CDWC common stock | (1,708,000) | - | - |
| Intergovernmental revenues | - | - | 11,288 |
| Net Cash Provided by (used for) Noncapital Financing Activities | <u>(3,580,739)</u> | <u>(54,440)</u> | <u>213,221</u> |
| Capital and Related Financing Activities | | | |
| Acquisition and construction of capital assets | (8,002,172) | (1,311,744) | (108,443) |
| Proceeds from sale of capital assets | 68,656 | - | - |
| Principal and interest paid on long-term debt | (2,862,488) | - | - |
| Net Cash Provided by (used for) Capital and Related Financing Activities | <u>(10,796,004)</u> | <u>(1,311,744)</u> | <u>(108,443)</u> |
| Investing Activities | | | |
| Interest received, net of change in fair value | 151,237 | 43,613 | 42,021 |
| Net Cash Provided by (used for) Investing Financing Activities | <u>151,237</u> | <u>43,613</u> | <u>42,021</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (6,031,434) | (159,661) | 571,399 |
| Cash and Cash Equivalents at Beginning of Year | <u>21,307,487</u> | <u>5,422,371</u> | <u>3,963,329</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 15,276,053</u> | <u>\$ 5,262,710</u> | <u>\$ 4,534,728</u> |
| Reconciliation of cash and cash equivalents | | | |
| Cash and investments | \$ 12,592,156 | \$ 5,090,615 | \$ 4,240,379 |
| Restricted Cash and investments | 470,420 | 172,095 | 294,349 |
| Restricted - Cash and investments with fiscal agent | 2,213,477 | - | - |
| Total Cash and Cash Equivalents | <u>\$ 15,276,053</u> | <u>\$ 5,262,710</u> | <u>\$ 4,534,728</u> |

(continued)

City of Brea, California
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023

| | <u>Total Enterprise Funds</u> | <u>Governmental Activities Internal Service Funds</u> |
|---|---------------------------------------|---|
| Operating Activities | | |
| Cash received from customers and users | \$ 33,950,996 | \$ 13,053,917 |
| Cash payments to suppliers for goods and services | (21,114,617) | (6,957,018) |
| Cash payments to employees for services | <u>(3,054,797)</u> | <u>(7,020,044)</u> |
| Net Cash Provided by (used for) Operating Activities | <u>9,781,582</u> | <u>(923,145)</u> |
| Noncapital Financing Activities | | |
| Cash transfer out | (1,927,179) | - |
| Cash transfer in | 201,933 | 4,237,745 |
| Purchase of CDWC common stock | (1,708,000) | - |
| Intergovernmental revenues | <u>11,288</u> | <u>-</u> |
| Net Cash Provided by (used for) Noncapital Financing Activities | <u>(3,421,958)</u> | <u>4,237,745</u> |
| Capital and Related Financing Activities | | |
| Acquisition and construction of capital assets | (9,422,359) | (1,142,354) |
| Proceeds from sale of capital assets | 68,656 | - |
| Principal and interest paid on long-term debt | <u>(2,862,488)</u> | <u>(16,680)</u> |
| Net Cash Provided by (used for) Capital and Related Financing Activities | <u>(12,216,191)</u> | <u>(1,159,034)</u> |
| Investing Activities | | |
| Interest received, net of change in fair value | <u>236,871</u> | <u>65,628</u> |
| Net Cash Provided by (used for) Investing Financing Activities | <u>236,871</u> | <u>65,628</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (5,619,696) | 2,221,194 |
| Cash and Cash Equivalents at Beginning of Year | <u>30,693,187</u> | <u>13,297,033</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 25,073,491</u> | <u>\$ 15,518,227</u> |
| Reconciliation of cash and cash equivalents | | |
| Cash and investments | \$ 21,923,150 | \$ 15,518,227 |
| Restricted Cash and investments | 936,864 | - |
| Restricted - Cash and investments with fiscal agent | <u>2,213,477</u> | <u>-</u> |
| Total Cash and Cash Equivalents | <u>\$ 25,073,491</u> | <u>\$ 15,518,227</u> |

(Continued)

City of Brea, California
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023

| | 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) | \$ 5,486,511 | \$ 441,604 | \$ 197,393 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | |
| Depreciation | 2,644,200 | 546,627 | 81,352 |
| Changes in net pension liability and related deferrals | 366,727 | 123,781 | 176,765 |
| Changes in total OPEB liability and related deferrals | (24,988) | (9,864) | (14,998) |
| Changes in assets and liabilities | | | |
| (Increase) decrease in accounts receivable | 1,159,671 | 37,263 | 129,843 |
| (Increase) decrease in due from other governments | - | - | - |
| Increase (decrease) in unearned revenue | - | - | - |
| Increase (decrease) in accounts payable | (1,465,379) | 10,849 | (153,634) |
| Increase (decrease) in accrued liabilities | 19,053 | 5,976 | 7,669 |
| Increase (decrease) in deposit payables | 11,453 | - | - |
| Increase (decrease) in claims and judgements | - | - | - |
| Increase (decrease) in compensated absences | (3,176) | 6,674 | 210 |
| Total adjustments | <u>2,707,561</u> | <u>721,306</u> | <u>227,207</u> |
| Net Cash Provided by (used for) Operating Activities | <u>\$ 8,194,072</u> | <u>\$ 1,162,910</u> | <u>\$ 424,600</u> |
| Non-Cash Investing, Capital, and Financing Activities | | | |
| Amortization of loss on refunding | \$ (482,615) | \$ - | \$ - |
| Change in equity of California Domestic Water Company | (134,662) | - | - |
| Subscription liability for the acquisition of a right to use subscription asset | - | - | - |

(Continued)

City of Brea, California
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023

| | <u>Total Enterprise Funds</u> | <u>Governmental Activities Internal Service Funds</u> |
|---|---------------------------------------|---|
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities | | |
| Operating income (loss) | \$ 6,125,508 | \$ (1,842,864) |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 3,272,179 | 898,063 |
| Changes in net pension liability and related deferrals | 667,273 | (414,686) |
| Changes in total OPEB liability and related deferrals | (49,850) | (41,507) |
| Changes in assets and liabilities | | |
| (Increase) decrease in accounts receivable | 1,326,777 | 36,308 |
| (Increase) decrease in due from other governments | - | - |
| Increase (decrease) in unearned revenue | - | - |
| Increase (decrease) in accounts payable | (1,608,164) | 19,467 |
| Increase (decrease) in accrued liabilities | 32,698 | 17,570 |
| Increase (decrease) in deposit payables | 11,453 | - |
| Increase (decrease) in claims and judgements | - | 420,913 |
| Increase (decrease) in compensated absences | 3,708 | (16,409) |
| Total adjustments | <u>3,656,074</u> | <u>919,719</u> |
| Net Cash Provided by (used for) Operating Activities | <u>\$ 9,781,582</u> | <u>\$ (923,145)</u> |
| Non-Cash Investing, Capital, and Financing Activities | | |
| Amortization of loss on refunding | \$ (482,615) | \$ - |
| Change in equity of California Domestic Water Company | (134,662) | - |
| Subscription liability for the acquisition of a right to use subscription asset | - | 48,691 |

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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, 2023

| | Custodial Funds | Private- Purpose Trust Fund <u>Successor Agency of the Former RDA</u> |
|--|----------------------|--|
| Assets | | |
| Cash and investments | \$ 14,468,838 | \$ 368,117 |
| Receivables | | |
| Taxes | 6,040 | - |
| Accounts | 70,059 | - |
| Accrued interest | - | 152 |
| Due from other governments | 100 | 426,000 |
| Prepaid items | 9,465 | - |
| Restricted assets | | |
| Cash and investments with fiscal agents | 660,546 | 12,306,246 |
| Capital assets, net of accumulated depreciation | 2,282 | - |
| | <u>15,217,330</u> | <u>13,100,515</u> |
| Deferred outflows of resources | | |
| Deferred charge on refunding | - | 3,349,026 |
| | <u>-</u> | <u>3,349,026</u> |
| Liabilities | | |
| Accounts payable | 387,856 | - |
| Accrued liabilities | 547,378 | - |
| Accrued interest | - | 1,436,536 |
| Due to the City of Brea | - | 2,497 |
| Long-term liabilities | | |
| Due in one year | - | 10,720,000 |
| Due in more than one year | - | 89,255,743 |
| | <u>935,234</u> | <u>101,414,776</u> |
| Net Position (deficit) | | |
| Restricted for individuals, organizations, and other governments | <u>\$ 14,282,096</u> | <u>\$ (84,965,235)</u> |

City of Brea, California
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended June 30, 2023

| | Custodial Funds | Private-Purpose Trust Fund Successor Agency of the Former RDA |
|---|-----------------------------|---|
| Additions | | |
| Taxes and special assessments | \$ 994,061 | \$ 13,527,838 |
| Member contributions | 9,434,184 | - |
| Interest and changes in fair value of investments | 72,758 | 235,205 |
| Miscellaneous | 101,102 | - |
| Total additions | <u>10,602,105</u> | <u>13,763,043</u> |
| Deductions | | |
| Administrative expenses | 1,631,605 | 2,497 |
| Contractual services | - | 23,172 |
| Principal payments | 485,000 | - |
| Interest expense | 384,110 | 3,913,323 |
| Capital expenses | 22,383 | - |
| Total deductions | <u>2,523,098</u> | <u>3,938,992</u> |
| Changes in Net Position | 8,079,007 | 9,824,051 |
| Net position (deficit) | | |
| Net Deficit, Beginning of the Year | <u>6,203,089</u> | <u>(94,789,286)</u> |
| Net Deficit, End of the Year | <u><u>\$ 14,282,096</u></u> | <u><u>\$ (84,965,235)</u></u> |

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Notes to the Financial Statements

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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 its relationship with the City are such that its 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 its 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 its repayment, are classified as restricted assets on the balance sheet because its 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, 2023. The County of Orange assesses, bills, and collects property taxes for the City.

Lease receivables are recorded by the City as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the City charges the lessee.

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, right to use leased assets, right to use subscription assets, 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. Except for right to use lease assets, 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.

Right to use leased assets are recognized at the lease commencement date and represent the City's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method.

Right to use subscription IT assets are recognized at the subscription commencement date and represent the City's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

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.

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 assets that applies to future periods 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 assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports four 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 second and third items are deferred pension and OPEB related items reported in the government-wide statement of net position and the proprietary funds statements of net position. The fourth item is related to deferred inflows related to lease receivables. The revenues associated with the deferred inflows of resources are recognized systematically over the term of the lease.

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.

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the City.

Subscription liabilities represent the City's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments is discounted based on a borrowing rate determined by the City.

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, 2023, \$45,252,026 of net position is restricted by enabling legislation.

Unrestricted Net Position – This amount is the remaining 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, 2023, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*. The objective of this Statement is to establish standards of accounting and financial reporting for PPPs and APAs. The Statement requires recognition of certain assets, receivables, deferred inflows of revenues (transferor) and liabilities and deferred outflows of resources (operators) for PPP arrangements. The City has determined that there was no material impact on the financial statements.

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 arrangements (SBITAs) for government end users (governments). The City implemented this statement effective July 1, 2022. The effect of the implementation of this standard on beginning net position is disclosed in Note 18 and the additional disclosures required by this standard are included in Notes 8 and 9.

GASB Statement No. 99 – In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in account and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement related to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The City has determined that there was no material impact on the financial statements.

h. Accounting Standards Effective in Future Years

The GASB has issued pronouncements that have an effective date subsequent to June 30, 2023, which may impact future financial presentations. The following statements are currently being evaluated by the City’s management.

GASB Statement No. 99 – Omnibus 2022 – The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100 – Accounting Changes and Error Corrections.

GASB Statement No. 101 – Compensated Absences.

Note 2 - Stewardship, Compliance and Accountability

Deficit Fund Balances or Net Position

The following individual nonmajor funds have a deficit at June 30, 2023:

| | |
|---|------------|
| Deficit Fund Balances: | |
| Community Development Block Grant Special Revenue Fund | \$ 176,960 |
| National Opioid Settlement Fund | 745 |
| Deficit Net Position | |
| Sanitation Fund | 313,099 |
| Information Technology External Support Enterprise Fund | 1,794,015 |
| Information Technology Internal Service Fund | 229,659 |

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. The deficit in the National Opioid Settlement special revenue fund is due to timing of the collection of revenues. For the Information Technology internal service fund and Information Technology External Support and Sanitation enterprise funds, the deficits are the result of pension and OPEB liabilities, which will be eliminated through future charges.

At June 30, 2023, the Successor Agency of the Former RDA Private-purpose Trust Fund had a deficit net position amount of \$84,965,235. The deficit balance will be eliminated with future property tax revenue.

Note 3 - Cash and Investments

As of June 30, 2023, 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 | \$ 113,486,833 | \$ 14,836,955 | \$ 128,323,788 |
| Restricted assets: | | | |
| Cash and investments | 10,324,514 | - | 10,324,514 |
| Cash and investments with fiscal agents | 2,213,478 | 12,966,792 | 15,180,270 |
| Total cash and investments | \$ 126,024,825 | \$ 27,803,747 | \$ 153,828,572 |

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

| | |
|---|----------------|
| Cash on hand | \$ 10,987 |
| Deposits with financial institutions | 2,601,453 |
| Total cash | 2,612,440 |
| Investments | 125,711,378 |
| Restricted cash and investments | 10,324,514 |
| Cash and investments with fiscal agents | 15,180,240 |
| Total investments | 151,216,132 |
| Total cash and investments | \$ 153,828,572 |

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

a. Cash Deposits

The carrying amount of the City's cash deposits was \$2,601,453 at June 30, 2023. Bank balances were \$3,169,915 at that date. The \$568,462 difference represents outstanding checks and other reconciling items. As of June 30, 2023, the City's deposits with financial institutions were covered by FDIC up to \$250,000, and the remaining amounts of \$2,919,915 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 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 is 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, 2023, the City reported \$10,324,514 in restricted cash and investments. As of June 30, 2023, the City had \$9,387,650 of restricted cash and investments reported in the general fund and \$936,864 held in the business-type funds in a Section 115 Trust restricted for future pension contributions. In January 2016 and amended August 2021, 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

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 | A+ |
|---|----------------------|---------------|--------------|---------------|--------------|--------------|--------------|
| U.S. Treasury Obligations | N/A | \$ - | \$ - | \$ 30,054,962 | \$ - | \$ - | \$ - |
| U.S. Government Sponsored Enterprise Securities | N/A | 8,533,864 | 2,720,523 | 18,124,612 | - | - | - |
| Corporate Notes | A | - | - | 414,499 | - | 2,527,310 | 6,699,595 |
| Money Market Mutual Funds | AAA | 435,058 | - | - | - | - | - |
| Asset Backed Securities | AA | 2,424,252 | 2,605,975 | - | - | - | - |
| California Local Agency Investment Fund | N/A | 24,396,422 | - | - | - | - | - |
| Supranational | AA | - | 2,584,583 | - | - | - | - |
| Municipal Bonds | N/A | - | - | - | 865,575 | - | - |
| Restricted Cash and Investments - Section 115 Trust | | | | | | | |
| U.S. Treasury Obligations | N/A | 142,893 | - | - | - | - | - |
| Corporate Bonds | BBB- | - | - | - | 235,323 | - | 159,188 |
| Money Market Mutual Funds | N/A | 7,355,136 | - | - | - | - | - |
| Restricted Cash and Investments with Fiscal Agents | | | | | | | |
| Money Market Mutual Funds | N/A | 14,756,737 | - | - | - | - | - |
| U.S. Treasury Obligations | N/A | - | - | 423,704 | - | - | - |
| Total | | \$ 58,044,362 | \$ 7,911,081 | \$ 49,017,777 | \$ 1,100,898 | \$ 2,527,310 | \$ 6,858,783 |

| Investment Type | Minimum legal rating | A | A-1+ | A- | BBB+/BBB | Total |
|---|----------------------|--------------|--------------|--------------|--------------|----------------|
| U.S. Treasury Obligations | N/A | \$ - | \$ 7,973,927 | \$ - | \$ - | \$ 38,028,889 |
| U.S. Government Sponsored Enterprise Securities | N/A | - | - | - | - | 29,378,999 |
| Corporate Notes | A | 7,328,196 | - | 8,021,824 | - | 24,991,424 |
| Money Market Mutual Funds | AAA | - | - | - | - | 435,058 |
| Asset Backed Securities | AA | - | - | - | - | 5,030,227 |
| California Local Agency Investment Fund | N/A | - | - | - | - | 24,396,422 |
| Supranational | AA | - | - | - | - | 2,584,583 |
| Municipal Bonds | N/A | - | - | - | - | 865,575 |
| Restricted Cash and Investments - Section 115 Trust | | | | | | |
| U.S. Treasury Obligations | N/A | - | - | - | - | 142,893 |
| Corporate Bonds | BBB- | 435,242 | - | 648,868 | 1,347,864 | 2,826,485 |
| Money Market Mutual Funds | N/A | - | - | - | - | 7,355,136 |
| Restricted Cash and Investments with Fiscal Agents | | | | | | |
| Money Market Mutual Funds | N/A | - | - | - | - | 14,756,737 |
| U.S. Treasury Obligations | N/A | - | - | - | - | 423,704 |
| Total | | \$ 7,763,438 | \$ 7,973,927 | \$ 8,670,692 | \$ 1,347,864 | \$ 151,216,132 |

Certain investments in corporate notes that are currently rated A- were originally rated A or better upon the original purchase of the investments. The investment ratings were subsequent downgraded; however, the City has chosen to retain the investments to maturity.

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 its investments and has authority from City Council to execute purchases and sales of investments according to the parameters in its 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 National Mortgage Association | U.S. Government Sponsored Enterprise | \$ 9,791,414 | 7.79% |
| Federal Home Loan Mortgage Corporation | U.S. Government Sponsored Enterprise | \$ 16,345,905 | 13.00% |

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, 2023, 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 | \$ 9,596,543 | \$ 8,682,477 | \$ 19,749,869 | \$ - | \$ 38,028,889 |
| U.S. Government Sponsored Enterprise Securities | - | 13,827,119 | 15,551,880 | - | 29,378,999 |
| Corporate Bonds | - | 10,927,424 | 14,064,000 | - | 24,991,424 |
| Money Market Mutual Funds | 435,058 | - | - | - | 435,058 |
| Asset Backed Securities | - | 2,279,451 | 2,750,776 | - | 5,030,227 |
| California Local Agency Investment Fund | 24,396,422 | - | - | - | 24,396,422 |
| Supranational | - | - | 2,584,583 | - | 2,584,583 |
| Municipal Bonds | - | 865,575 | - | - | 865,575 |
| Restricted Cash and Investments - Section 115 Trust: | | | | | |
| U.S. Treasury Obligations | - | - | - | 142,893 | 142,893 |
| Corporate Bonds | 98,741 | 313,071 | 1,458,569 | 956,104 | 2,826,485 |
| Money Market Mutual Funds | 7,355,136 | - | - | - | 7,355,136 |
| Restricted Cash and Investments with Fiscal Agents: | | | | | |
| Money Market Mutual Funds | 14,756,737 | - | - | - | 14,756,737 |
| U.S. Treasury Obligations | 107,254 | 38,408 | 278,042 | - | 423,704 |
| | <u>\$ 56,745,891</u> | <u>\$ 36,933,525</u> | <u>\$ 56,437,719</u> | <u>\$ 1,098,997</u> | <u>\$ 151,216,132</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 money market mutual funds and governmental investment pools, such as LAIF 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, 2023:

| Investment Type | Totals | Investments not Subject to Hierarchy | Level | | |
|---|-----------------------|--|-------------|----------------------|-------------|
| | | | 1 | 2 | 3 |
| U.S. Treasury Obligations | \$ 38,028,889 | \$ - | \$ - | \$ 38,028,889 | \$ - |
| U.S. Government Sponsored Enterprise Securities | 29,378,999 | - | - | 29,378,999 | - |
| Corporate Bonds | 24,991,424 | - | - | 24,991,424 | - |
| Money Market Mutual Funds | 435,058 | 435,058 | - | - | - |
| Asset Backed Securities | 5,030,227 | - | - | 5,030,227 | - |
| California Local Agency Investment Fund | 24,396,422 | 24,396,422 | - | - | - |
| Supranational | 2,584,583 | - | - | 2,584,583 | - |
| Municipal Bonds | 865,575 | - | - | 865,575 | - |
| Restricted Cash and Investments - Section 115 Trust: | | | | | |
| U.S. Treasury Obligations | 142,893 | - | - | 142,893 | - |
| Corporate Bonds | 2,826,485 | - | - | 2,826,485 | - |
| Money Market Mutual Funds | 7,355,136 | 7,355,136 | - | - | - |
| Restricted Cash and Investments with Fiscal Agents | | | | | |
| Money Market Mutual Funds | 14,756,737 | 14,756,737 | - | - | - |
| U.S. Treasury Obligations | 423,704 | - | - | 423,704 | - |
| | <u>\$ 151,216,132</u> | <u>\$ 46,943,353</u> | <u>\$ -</u> | <u>\$104,272,779</u> | <u>\$ -</u> |

Note 4 - California Domestic Water Company (CDWC)

The City purchases 94.8% 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, 2023, 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 \$307,528.

The City also holds 687.85 shares of Class A 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 \$140,766.

In November 2022, the City purchased an additional 112 shares of CDWC common stock for \$15,250 per share for a total cost of \$1,708,000 to increase the City’s rights to access water.

As of June 30, 2023, the City holds 2,320.50 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 27.79% of the total shares outstanding. The City reported a decrease of \$134,662 as the change in equity for the year ended June 30, 2023. 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, 2023, the City was entitled to purchase 1.45 acre feet of water per common stock share owned or 3,364.73 acre feet of at the common stock entitlement rate, for a total cost of \$1,297,124.

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 \$109,842 for a combined total of \$1,406,966 at the common stock entitlement rate.

During the year ended June 30, 2023, the City also purchased 3,217.47 acre feet for \$3,642,576 from CDWC in excess of its entitlement. Other amounts paid to CDWC for the year ended June 30, 2023, including annual common stock assessments and readiness-to-serve charges totaled \$1,118,502.

During the year ended June 30, 2023, the City paid \$8,324,339 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, 2023:

| | |
|--|----------------------------|
| CDBG | \$ 1,364,951 |
| HOME Grant Funds | 18,241 |
| Affordable Housing Trust | <u>106,724</u> |
| Total notes and loans receivable in the non-major governmental funds | <u><u>\$ 1,489,916</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, 2023:

| | |
|--|-----------------------------|
| Home Buyer Assistance Loans | \$ 3,401,553 |
| Rehabilitation Loans | 92,959 |
| Developer / Organization Loans: | |
| Acacia Apartments | 1,302,270 |
| Birch Hills Affordable Apartments | 4,750,000 |
| Bonterra Apartments | 1,020,206 |
| Imperial Apartments | 2,853,000 |
| La Habra Housing | 597,814 |
| South Walnut Bungalows | <u>826,000</u> |
| Total notes and loans receivable in the Housing Successor Fund | <u><u>\$ 14,843,802</u></u> |

Note 6 - Leases Receivables

As of year-end June 30, 2023, the City had entered into various lease agreements as the lessor where it had leased its land and buildings, ranging from two years to 75 years. As of June 30, 2023, the outstanding leases receivable total \$5,563,013. These leases require the various lessees to make periodic payments to the City, and range in interest rates from 0.466% to 2.583%. The offsetting entry to the leases receivable is a Deferred Inflows and the value of the deferred inflows at June 30, 2023 is \$5,442,300. The City will be systematically recognizing revenue over the terms of the lease, and in the current fiscal year, the City recognized \$263,502 in lease principal and \$140,677 in interest. The City recognized \$321,272 in lease revenue during the fiscal year.

Note 7 - Interfund Receivables, Payables, Advances and Transfers

The composition of interfund balances as of June 30, 2023, is as follows:

Due To/From Other Funds

| | Due From Other Funds |
|------------------------------|-------------------------|
| <u>Due to Other Funds</u> | <u>General Fund</u> |
| Non-major Governmental Funds | \$ 173,222 |
| Total | \$ 173,222 |

The balances due among the General Fund and Non-major Governmental Funds for \$173,222 were related to CDBG having negative cash and represents a short-term cash flow borrowing between the General Fund and the Community Development Block Grant Fund (CDBG).

Transfers In/Out from Other Funds

| Transfers Out | Transfers In | | | | | Total |
|----------------------------------|-------------------|---------------------------|------------------------------|------------------------|----------------------|----------------------|
| | General Fund | Capital Improvements Fund | Non-Major Governmental Funds | Internal Service Funds | Non-Major Enterprise | |
| General Fund | \$ - | \$ 1,453,298 | \$ 56,000 | \$ 4,237,745 | \$ 152,688 | \$ 5,899,731 |
| Capital Improvements Fund | - | - | - | - | 49,245 | 49,245 |
| Non-major Governmental Funds | 450,000 | 2,177,550 | - | - | - | 2,627,550 |
| Business-type Activities: | | | | | | |
| Water Utility | - | 1,872,739 | - | - | - | 1,872,739 |
| Sewer Utility | - | 54,440 | - | - | - | 54,440 |
| Total | \$ 450,000 | \$ 5,558,027 | \$ 56,000 | \$ 4,237,745 | \$ 201,933 | \$ 10,503,705 |

1. The General Fund transferred \$1,453,298 to the Capital Improvements Fund for various capital improvement program projects.
2. The General Fund transferred \$56,000 to the non-major Governmental funds for capital improvement projects.
3. The General Fund transferred \$4,237,745 to the Internal Service Funds for equipment and vehicle maintenance.
4. The General Fund transferred \$152,688 to the non-major enterprise funds to maintain sanitation funds capital reserve.
5. The non-major governmental funds transferred \$450,000 to the General Fund for the street maintenance program.
6. The Water Utility Fund transferred \$1,872,739 to the Capital Improvements Fund for various capital improvement program projects.
7. The Sewer Utility Fund transferred \$54,440 to the Capital Improvements Fund for various capital improvement program projects.
8. Non-major governmental funds transferred \$2,177,550 to the Capital Improvements Fund for various capital improvement program projects.
9. Capital Improvements Fund transferred \$49,245 to the non-major enterprise funds for various capital improvement program projects.

Note 8 - Capital Assets

Summary of changes in capital assets for the for the year ended June 30, 2023, is as follows:

| | Beginning Balance As Restated | Transfers | Additions | Disposals | Ending Balance |
|---|-------------------------------------|--------------------|---------------------|---------------------|-----------------------|
| Governmental activities: | | | | | |
| Capital assets, not depreciated | | | | | |
| Land | \$ 62,092,796 | \$ - | \$ - | \$ - | \$ 62,092,796 |
| Construction in progress | 12,947,484 | (3,266,589) | 2,909,229 | - | 12,590,124 |
| Total Capital Assets, Not Depreciated | <u>75,040,280</u> | <u>(3,266,589)</u> | <u>2,909,229</u> | <u>-</u> | <u>74,682,920</u> |
| Capital assets, being depreciated | | | | | |
| Structures and improvements | 122,858,232 | - | 1,719,212 | (414,524) | 124,162,920 |
| Equipment | 21,396,043 | - | 2,448,765 | (739,302) | 23,105,506 |
| Infrastructure | 155,516,749 | 3,266,589 | 539,848 | - | 159,323,186 |
| Total Capital Assets Being Depreciated | <u>299,771,024</u> | <u>3,266,589</u> | <u>4,707,825</u> | <u>(1,153,826)</u> | <u>306,591,612</u> |
| Less accumulated depreciation for | | | | | |
| Structures and improvements | (60,089,465) | - | (2,458,031) | 160,895 | (62,386,601) |
| Equipment | (15,604,219) | - | (850,918) | 708,156 | (15,746,981) |
| Infrastructure | (87,329,835) | - | (5,099,486) | - | (92,429,321) |
| Total Accumulated Depreciation | <u>(163,023,519)</u> | <u>-</u> | <u>(8,408,435)</u> | <u>869,051</u> | <u>(170,562,903)</u> |
| Right-to-use assets: | | | | | |
| Equipment | 56,010 | - | 110,620 | - | 166,630 |
| Subscription IT asset | 246,357 | - | 84,746 | - | 331,103 |
| Total Capital Assets Being Depreciated | <u>302,367</u> | <u>-</u> | <u>195,366</u> | <u>-</u> | <u>497,733</u> |
| Less accumulated amortization for | | | | | |
| Equipment | (28,691) | - | (2,451) | - | (31,142) |
| Subscription IT asset | - | - | (82,770) | - | (82,770) |
| Total Accumulated Amortization | <u>(28,691)</u> | <u>-</u> | <u>(85,221)</u> | <u>-</u> | <u>(113,912)</u> |
| Total Capital Assets Being Depreciated/Amortized, Net | <u>137,021,181</u> | <u>3,266,589</u> | <u>(3,590,465)</u> | <u>(284,775)</u> | <u>136,412,530</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 212,061,461</u> | <u>\$ -</u> | <u>\$ (681,236)</u> | <u>\$ (284,775)</u> | <u>\$ 211,095,450</u> |
| Business-Type Activities: | | | | | |
| Capital assets, not depreciated | | | | | |
| Land | \$ 11,628,748 | \$ - | \$ - | \$ - | \$ 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 | 11,923,757 | (7,324,692) | 5,723,101 | - | 10,322,166 |
| Total Capital Assets, not depreciated | <u>55,927,929</u> | <u>(7,324,692)</u> | <u>5,723,101</u> | <u>-</u> | <u>54,326,338</u> |
| Capital assets, being depreciated | | | | | |
| Structures and Improvements | 4,651,539 | - | - | - | 4,651,539 |
| Equipment | 657,004 | - | 119,625 | (5,865) | 770,764 |
| Infrastructure | 139,629,277 | 7,324,692 | 3,579,633 | - | 150,533,602 |
| Total Capital Assets Being Depreciated | <u>144,937,820</u> | <u>7,324,692</u> | <u>3,699,258</u> | <u>(5,865)</u> | <u>155,955,905</u> |
| Less accumulated depreciation for | | | | | |
| Structures and Improvements | (447,529) | - | (59,208) | - | (506,737) |
| Equipment | (435,666) | - | (57,844) | 5,865 | (487,645) |
| Infrastructure | (67,803,625) | - | (3,155,127) | - | (70,958,752) |
| Total Accumulated Depreciation | <u>(68,686,820)</u> | <u>-</u> | <u>(3,272,179)</u> | <u>5,865</u> | <u>(71,953,134)</u> |
| Total Capital Assets Being Depreciated, Net | <u>76,251,000</u> | <u>7,324,692</u> | <u>427,079</u> | <u>-</u> | <u>84,002,771</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 132,178,929</u> | <u>\$ -</u> | <u>\$ 6,150,180</u> | <u>\$ -</u> | <u>\$ 138,329,109</u> |

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 \$269.64 per acre foot. Refer to Note 4 for further details of transactions with California Domestic Water Company.

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

Governmental Activities:

| | |
|-------------------------------|---------------------|
| City | |
| General government | \$ 378,950 |
| Public safety | 660,853 |
| Community services | 492,486 |
| Public works | <u>6,063,304</u> |
| Total city | <u>7,595,593</u> |
| Internal service | |
| Information technology | 148,677 |
| Vehicle maintenance | 613,900 |
| Building occupancy | <u>135,486</u> |
| Total internal service | <u>898,063</u> |
| Total governmental activities | <u>\$ 8,493,656</u> |

Business-Type Activities:

| | |
|--------------------------------|---------------------|
| Water utility | \$ 2,644,200 |
| Sewer utility | 546,627 |
| Golf | 80,914 |
| Urban Runoff | <u>438</u> |
| Total business-type activities | <u>\$ 3,272,179</u> |

Note 9 - 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, 2023, is noted below:

| | (Restated) Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|------------------------------------|------------------------------------|---------------------|--------------------------|----------------------|------------------------|
| Lease Revenue Bonds | | | | | |
| 2021 refunding lease revenue bonds | \$ 2,220,000 | \$ - | \$ - | \$ 2,220,000 | \$ - |
| Leases | 27,080 | 111,620 | (31,082) | 107,618 | 38,080 |
| Subscription IT liabilities | 246,357 | 84,746 | (103,864) | 227,239 | 110,967 |
| Compensated absences | 2,858,363 | 2,118,596 | (2,143,772) | 2,833,187 | 2,124,890 |
| Claims and judgments | 5,287,092 | 1,844,589 | (1,423,676) | 5,708,005 | 1,940,722 |
| | <u>\$ 10,638,892</u> | <u>\$ 4,159,551</u> | <u>\$ (3,702,394)</u> | 11,096,049 | <u>\$ 4,214,659</u> |
| | | | Unamortized bond premium | <u>459,498</u> | |
| | | | | <u>\$ 11,555,547</u> | |

2021 Refunding Lease Revenue Bonds

In July 2021, the Brea Public Financing Authority issued the 2021 Refunding Lease Revenue Bonds in the amount of \$2,220,000. The proceeds were used to refund the outstanding principal balance of the 2010 Lease Revenue Bonds and pay costs of issuance of the 2021 bonds. The bonds bear an interest rate of 4% and mature April 1, 2036. Installment payments are due annually beginning April 1, 2028, ranging from \$105,000 to \$455,000. The Bonds are payable from lease payments made by the City for the leasing of certain real property pursuant to the lease agreement dated July 1, 2021.

The debt service schedule of the 2021 Refunding Lease Revenue Bonds are as follows:

| <u>Year Ending June 30:</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|---------------------|
| 2024 | \$ - | \$ 88,800 | \$ 88,800 |
| 2025 | - | 88,800 | 88,800 |
| 2026 | - | 88,800 | 88,800 |
| 2027 | - | 88,800 | 88,800 |
| 2028 | 335,000 | 88,800 | 423,800 |
| 2029-2033 | 1,455,000 | 228,000 | 1,683,000 |
| 2034-2038 | 430,000 | 35,800 | 465,800 |
| | <u>\$ 2,220,000</u> | <u>\$ 707,800</u> | <u>\$ 2,927,800</u> |
| Total | | | |

Leases

As of year-end June 30, 2023, the City has entered into various lease agreements as the lessee for the use of various pieces of equipment, for terms of five years. As of June 30, 2023, the value of the lease liability is outstanding is \$107,618. The city is required to make monthly fixed payments, and these leases have interest rates ranging from 0.39% to 8.75%.

The future principal and interest lease payments as of June 30, 2023, were as follows:

| <u>Year Ending June 30:</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|-------------------|-------------------|
| 2024 | \$ 38,080 | \$ 2,656 | \$ 40,736 |
| 2025 | 24,760 | 1,760 | 26,520 |
| 2026 | 17,456 | 1,161 | 18,617 |
| 2027 | 18,018 | 599 | 18,617 |
| 2028 | 9,304 | 90 | 9,394 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | <u>\$ 107,618</u> | <u>\$ 6,266</u> | <u>\$ 113,884</u> |

Subscription Liabilities

Prior to the fiscal year ended June 30, 2023, the City entered into two SBITA contracts. During the fiscal year, the City entered into two additional SBITA contracts. The City is required to make principal and interest payments ranging from \$13,000 to \$57,947 through June 2025. The subscription liability was valued using discount rates between 2.194% - 2.796% based on the City's incremental borrowing rate at the inception of the subscriptions.

Remaining principal and interest payments on subscriptions are as follows:

| <u>Year Ending June 30:</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|-------------------|-------------------|
| 2024 | \$ 110,967 | \$ 5,529 | \$ 116,496 |
| 2025 | 116,272 | 2,828 | 119,100 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | <u>\$ 227,239</u> | <u>\$ 8,357</u> | <u>\$ 235,596</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, 2023 is noted below:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|--------------------------|----------------------|-------------------|--------------------------|----------------------|------------------------|
| Water Revenue Bonds | | | | | |
| 2014 Water Revenue Bonds | \$ 1,270,000 | \$ - | \$ (405,000) | \$ 865,000 | \$ 420,000 |
| 2019 Water Revenue Bonds | 21,810,000 | - | (845,000) | 20,965,000 | 890,000 |
| 2020 Water Revenue Bonds | 17,595,000 | - | (220,000) | 17,375,000 | 220,000 |
| Compensated absences | 292,980 | 223,442 | (219,734) | 296,688 | 222,515 |
| Totals | \$ 40,967,980 | \$ 223,442 | \$ (1,689,734) | 39,501,688 | \$ 1,752,515 |
| | | | Unamortized bond premium | 3,254,196 | |
| | | | | <u>\$ 42,755,884</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, 2023, was \$865,000.

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. The outstanding balance at June 30, 2023, was \$20,965,000.

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 in amounts ranging from \$220,000 to \$1,090,000. 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 outstanding balance at June 30, 2023 was \$17,375,000.

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, 2023, were \$20,261,496. Operation and maintenance costs for the year ended June 30, 2023, were \$12,228,384, excluding depreciation. Total debt service for the fiscal year ended was \$2,862,488. This resulted in a debt coverage ratio of 2.78 for the year ended June 30, 2023.

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, 2023 was \$52,693,978.

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> |
|-----------------------------|----------------------|----------------------|----------------------|
| 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 | 1,770,000 | 1,139,925 | 2,909,925 |
| 2028 | 1,850,000 | 1,074,515 | 2,924,515 |
| 2029-2033 | 10,450,000 | 4,275,353 | 14,725,353 |
| 2034-2038 | 11,325,000 | 2,337,375 | 13,662,375 |
| 2039-2043 | 6,820,000 | 794,607 | 7,614,607 |
| 2044-2047 | 2,145,000 | 69,460 | 2,214,460 |
| Total | \$ 39,205,000 | \$ 13,488,978 | \$ 52,693,978 |

c. Compensated Absences

The Governmental Activities' liability, at June 30, 2023, will be paid in future years from the General Fund, Vehicle Maintenance Fund, and Building Occupancy Fund in amounts of \$2,730,067, \$39,599, and \$63,521 respectively. The Business-Type Activities liability at June 30, 2023 will be paid in future years from the enterprise funds. Total compensated absences at June 30, 2023, were \$296,688.

d. 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 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 \$255,000 to \$575,000. The remaining interest rates on the bonds range from 2.000% to 4.000%. The outstanding balance at June 30, 2023, was \$7,280,000.

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 4.000% to 5.000%. The outstanding balance at June 30, 2023 was \$5,355,000.

Note 10 - Defined Benefit Pension Plan

a. CalPERS Safety and Miscellaneous Employees' Plans

The City contributes to the pension plans offered by the California Public Employees Retirement System (PERS). The City's employees participate in separate cost-sharing Safety (police and fire) and Miscellaneous (agent-multiple employer) defined benefit pension plans. 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.

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

| | 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 | 6.790% | 6.790% | 6.250% |
| Required employer contribution rates | 8.560% | 8.560% | 6.326% |

* Closed to new entrants

c. Employees Covered

At the June 30, 2021 valuation, the following employees were covered by the benefit terms of the Miscellaneous Plan:

| | Miscellaneous Plan |
|--|--------------------|
| Inactive employees or beneficiaries currently receiving benefits | 350 |
| Inactive employees entitled to not yet receiving benefits | 292 |
| Active employees | 181 |
| | 823 |

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 to the Miscellaneous Plan during the year ended June 30, 2023 was \$4,086,520.

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

The Miscellaneous Plan's total pension liability in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

| | Miscellaneous |
|---------------------------|---|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 6.90% |
| Inflation | 2.30% |
| Salary Increases | Varies by Age and Service |
| Payroll Growth | 3.00% |
| Investment Rate of Return | 6.9% Net of Pension Plan Investment includes Inflation. |
| Mortality Table** | Derived using CalPERS' Membership Data for all Funds |

**The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using MP-2020 Scale BB published by the Society of Actuaries.

Changes of assumptions - In measurement year ended June 30, 2022, CalPERS updated the discount rate to 6.90 percent from 7.15 percent and the inflation rate to 2.30 percent from 2.50 percent.

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

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

| Asset Class | New Strategic Allocation | Real Return ^{(1), (2)} |
|----------------------------------|--------------------------|---------------------------------|
| Global Equity - Cap-weighted | 30% | 4.54% |
| Global Equity - Non-Cap-weighted | 12% | 3.84% |
| Private Equity | 13% | 7.28% |
| Treasury | 5% | 0.27% |
| Mortgage-backed Securities | 5% | 0.50% |
| Investment Grade Corporates | 10% | 1.56% |
| High Yield | 5% | 2.27% |
| Emerging Market Debt | 5% | 2.48% |
| Private Debt | 5% | 3.57% |
| Real Assets | 15% | 3.21% |
| Leverage | -5.0% | -0.59% |
| | 100.0% | |

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

f. Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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 6.90% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 6.90% 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 the Miscellaneous Plan follows:

| Miscellaneous Plan | Increase (Decrease) | | |
|---|-------------------------|-----------------------------|-----------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balance at June 30, 2022 | \$ 160,343,139 | \$ 136,880,188 | \$ 23,462,951 |
| Changes in the year: | | | |
| Service cost | 2,507,756 | - | 2,507,756 |
| Interest on the total pension liability | 11,062,559 | - | 11,062,559 |
| Changes in assumptions | 4,989,438 | - | 4,989,438 |
| Differences between expected and actual experience | (1,925,595) | - | (1,925,595) |
| Contribution - employer | - | 4,491,118 | (4,491,118) |
| Contribution - employee | - | 1,028,136 | (1,028,136) |
| Net investment income | - | (10,262,883) | 10,262,883 |
| Benefit payments, including refunds of employee contributions | (8,667,849) | (8,667,849) | - |
| Administrative expense | - | (85,268) | 85,268 |
| Net changes | 7,966,309 | (13,496,746) | 21,463,055 |
| Balance at June 30, 2023 | \$ 168,309,448 | \$ 123,383,442 | \$ 44,926,006 |

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

The following presents the net pension liability, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (5.90%) or 1% point higher (7.90%) than the current rate:

| | 1% Decrease (5.90%) | Current Discount Rate (6.90%) | 1% Increase (7.90%) |
|--|------------------------|-------------------------------------|------------------------|
| Miscellaneous Plan's net pension liability | \$ 66,771,209 | \$ 44,926,006 | \$ 26,842,572 |

Detailed information about the Miscellaneous 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, 2023, the City recognized pension expense of (\$4,968,483) for the Miscellaneous Plan. As of June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Miscellaneous Plan | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Contributions made after the measurement date | \$ 4,086,520 | \$ - |
| Difference between expected and actual experience | 38,363 | (1,123,264) |
| Changes in assumptions | 2,910,505 | - |
| Net difference between projected and actual earnings on pension plan investments | 6,095,580 | - |
| Miscellaneous Plan Total | \$ 13,130,968 | \$ (1,123,264) |

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 \$4,086,520 for the Miscellaneous Plan, which will be recognized as a reduction of the net pension liability during the fiscal year ending June 30, 2024. 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, 2022 measurement date, the expected average remaining service lifetime is 2.4 years for the Miscellaneous Plan. Deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending June 30, | Miscellaneous Plan Deferred Outflows/(Inflows) of Resources |
|--------------------------------|--|
| 2024 | \$ 2,271,163 |
| 2025 | 1,345,353 |
| 2026 | 387,274 |
| 2027 | 3,917,394 |
| Total | \$ 7,921,184 |

Beginning in the measurement period ended June 30, 2021, the City's Safety Plan was converted from an agent multiple-employer defined benefit plan to the cost-sharing defined benefit plan.

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

| | 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 | 5 years service monthly for life | 5 years service monthly for life | 5 years service monthly for life |
| Benefit payments | minimum 50 years | minimum 50 years | minimum 50 years | minimum 50 years |
| 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 | 8.990% | 8.990% | 8.990% | 13.000% |
| Required employer contribution rates | 18.320% | 18.320% | 18.320% | 18.320% |

* Closed to new entrants

j. 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 to the Safety Plan during the year ended June 30, 2023 was \$11,215,589.

k. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2023, based on the measurement date of June 30, 2022, the City reported a net pension liability of \$112,689,685 for its proportionate share of the PERF C Cost Sharing Plan.

The City's net pension liability is measured as the proportionate share of net pension liability. The net pension liability is measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022. The City's proportion of the net pension liability based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the PERF C Cost Sharing Plan measured as of June 30, 2022 and 2023 was 2.10283% and 1.63994%, respectively.

For the year ended June 30, 2023, the City recognized pension expense of \$12,122,724 for the Safety Plan. As of June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Safety Plan</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Contributions made after the measurement date | \$ 11,215,589 | \$ - |
| Changes of assumptions | 11,362,532 | - |
| Difference between expected and actual experience | 4,663,817 | (1,223,721) |
| Change in employer's proportion | 40,589,594 | (1,604,730) |
| Differences between employer's contributions and proportionate share of contributions | - | (3,035,201) |
| Net difference between projected and actual investments Earnings | <u>17,795,276</u> | <u>-</u> |
| Safety Plan Total | <u>\$ 85,626,808</u> | <u>\$ (5,863,652)</u> |

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 \$11,215,589, which will be recognized as a reduction of the net pension liability during the fiscal year ending June 30, 2024. 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, 2022 measurement date, the expected average remaining service lifetime is 3.7 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>Safety Plan Deferred Outflows/(Inflows) of Resources</u> |
|--|---|
| 2024 | \$ 31,867,661 |
| 2025 | 22,713,620 |
| 2026 | 3,110,940 |
| 2027 | <u>10,855,346</u> |
| Total | <u>\$ 68,547,567</u> |

I. Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The Safety Plan’s total pension liability in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

| | Safety |
|---------------------------|--|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 6.90% |
| Inflation | 2.30% |
| Salary Increases | Varies by Age and Service |
| Payroll Growth | 3.00% |
| Investment Rate of Return | 6.90% Net of Pension Plan Investment includes Inflation. |
| Mortality Table** | Derived using CalPERS' Membership Data for all Funds |

**The probabilities of mortality are based on the 2019 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using MP-2020 Scale BB published by the Society of Actuaries.

Changes of assumptions - In measurement year ended June 30, 2022, CalPERS updated the discount rate to 6.90% from 7.15% and the inflation rate to 2.30% from 2.50%.

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

| Asset Class | New Strategic Allocation | Real Return ^{(1), (2)} |
|----------------------------------|--------------------------|---------------------------------|
| Global Equity - Cap-weighted | 30% | 4.54% |
| Global Equity - Non-Cap-weighted | 12% | 3.84% |
| Private Equity | 13% | 7.28% |
| Treasury | 5% | 0.27% |
| Mortgage-backed Securities | 5% | 0.50% |
| Investment Grade Corporates | 10% | 1.56% |
| High Yield | 5% | 2.27% |
| Emerging Market Debt | 5% | 2.48% |
| Private Debt | 5% | 3.57% |
| Real Assets | 15% | 3.21% |
| Leverage | -5.0% | -0.59% |
| | <u>100.0%</u> | |

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

m. Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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, Safety 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 the Safety 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 6.90% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 6.90% 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.

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

The following presents the City's proportionate share of the net pension liability for the Safety Plan, calculated using the discount rate of 6.90%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 - percentage point lower or 1 - percentage point higher than the current rate:

| | 1% Decrease (5.90%) | Current Discount Rate (6.90%) | 1% Increase (7.90%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$ 155,170,134 | \$ 112,689,685 | \$ 77,971,514 |

o. Summary of Miscellaneous Plan and Safety Plan Amounts

| | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Expenses |
|--------------------|--------------------------|--------------------------------------|-------------------------------------|---------------|
| Miscellaneous Plan | \$ 44,926,006 | \$ 13,130,968 | \$ (1,123,264) | \$ 4,968,483 |
| Safety Plan | 112,689,685 | 85,626,808 | (5,863,652) | 12,122,724 |
| Total | \$ 157,615,691 | \$ 98,757,776 | \$ (6,986,916) | \$ 17,091,207 |

p. Subsequent Events for CalPERS Pension Plans

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

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

Note 11 - 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, 2021, the most recent valuation date, the following current and former employees were covered by the benefit terms under the Plan:

| | |
|--|-----|
| Active employees | 284 |
| Inactive employees or beneficiaries currently receiving benefits | 246 |
| Inactive employees entitled to, but not yet receiving benefits | 93 |
| | 623 |
| Total | 623 |

d. Total OPEB Liability

The City’s total OPEB liability of \$24,806,583 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021. A summary of principal assumptions and methods used to determine the net pension liability is shown on the next page.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

| Actuarial Cost Method | Entry-Age Normal Cost Method |
|-----------------------------|---|
| Actuarial Assumptions: | |
| Discount Rate | 3.54% |
| Inflation | 2.50% |
| Payroll Growth | 2.75% |
| Mortality | (1) |
| Healthcare Trend Rate | Non-Medicare - 6.5% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Non-Kaiser) - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Kaiser) - 4.6% for 2023, decreasing to an ultimate rate of 3.75% in 2076 4% annually |
| PEMHCA | Actives: 77% decreasing to 60% over 20 years |
| Participation at Retirement | Retirees: 100% if covered, 5% re-elect at age 65 if waived and under age 65 |

(1) Derived using CalPERS 2000-2019 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, 2022.

e. Changes of Assumptions

For the June 30, 2022 measurement date, the discount rate was changed from 2.16% to 3.54%.

f. Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|----------------------|
| Balance at June 30, 2022 | \$ 29,180,581 |
| Changes in the year: | |
| Service Cost | 994,959 |
| Interest | 638,376 |
| Changes in assumptions | (4,765,135) |
| Benefit payments, including refunds of employee contributions | (1,242,198) |
| Net changes | (4,373,998) |
| Balance at June 30, 2023 | \$ 24,806,583 |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.54%) or 1 percentage-point higher (4.54%) than the current discount rate:

| | 1% Decrease (2.54%) | Discount Rate (3.54%) | 1% Increase (4.54%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB Liability | \$ 28,116,478 | \$ 24,806,583 | \$ 22,106,189 |

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 (5.50/4.65 to 2.75%) | Healthcare Cost Trend Rate | 1% Increase (7.50/6.65 to 4.75%) |
|----------------------|-------------------------------------|-------------------------------|-------------------------------------|
| Total OPEB Liability | \$ 23,061,089 | \$ 24,806,583 | \$ 27,576,683 |

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$690,584. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Amounts paid by the employer for OPEB as the benefits come due subsequent to the measurement date | \$ 1,278,009 | \$ - |
| Changes in assumptions | 2,736,523 | 4,945,690 |
| Differences between actual and expected experience | - | 1,182,805 |
| Total | \$ 4,014,532 | \$ 6,128,495 |

\$1,278,009 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense on the next page as follows:

| Year ended June 30, | Amortization |
|---------------------|----------------|
| 2024 | \$ (627,427) |
| 2025 | (429,975) |
| 2026 | (278,734) |
| 2027 | (1,019,859) |
| 2028 | (809,068) |
| Thereafter | (226,909) |
| Total | \$ (3,391,972) |

Note 12 - 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, 2023, 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 its annual premium. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

At June 30, 2023, \$5,708,005 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, 2023, 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, 2021 | \$ 5,308,431 |
| Claims payments | (1,741,548) |
| Claims incurred and changes in estimates | <u>1,720,209</u> |
| | |
| Claims and judgments at June 30, 2022 | 5,287,092 |
| Claims payments | (1,804,924) |
| Claims incurred and changes in estimates | <u>2,225,837</u> |
| | |
| Claims and judgments at June 30, 2023 | <u><u>\$ 5,708,005</u></u> |

Note 13 - Fund Balance Classifications

Fund balances in the governmental funds as of June 30, 2023, have been classified as follows:

| | General | Special Revenue Fund Housing Successor | Capital Projects Fund Capital Improvements | Non-major Governmental Funds | Total |
|--|---------------|---|---|------------------------------------|---------------|
| Nonspendable | | | | | |
| Prepaid items | \$ 60 | \$ - | \$ - | \$ - | \$ 60 |
| Total nonspendable | 60 | - | - | - | 60 |
| Restricted | | | | | |
| Prop 172 | 749,814 | - | - | - | 749,814 |
| COPS | 128,047 | - | - | - | 128,047 |
| Lighting and maintenance districts | 369,456 | - | - | - | 369,456 |
| Low and moderate income housing asset | - | 20,107,217 | - | - | 20,107,217 |
| Gas tax | - | - | - | 3,998,183 | 3,998,183 |
| Narcotic enforcement asset seizure | - | - | - | 471,250 | 471,250 |
| Air quality improvement | - | - | - | 170,374 | 170,374 |
| Park development | - | - | - | 2,349,600 | 2,349,600 |
| Measure M | - | - | - | 1,762,585 | 1,762,585 |
| Affordable housing trust | - | - | - | 3,376,204 | 3,376,204 |
| Blackstone CFD | - | - | - | 2,144,453 | 2,144,453 |
| La Floresta CFD | - | - | - | 347,933 | 347,933 |
| Taylor-Morrison CFD | - | - | - | 103,197 | 103,197 |
| Central Park Village CFD | - | - | - | 131,127 | 131,127 |
| Capital and mitigation improvement | - | - | - | 3,738,967 | 3,738,967 |
| Storm drain | - | - | - | 340,045 | 340,045 |
| Capital projects | - | - | 6,210,891 | - | 6,210,891 |
| Pension stabilization | 9,387,650 | - | - | - | 9,387,650 |
| Total restricted | 10,634,967 | 20,107,217 | 6,210,891 | 18,933,918 | 55,886,993 |
| Committed | | | | | |
| General Plan maintenance fee | 1,428,715 | - | - | - | 1,428,715 |
| Brea War Memorial | 14,953 | - | - | - | 14,953 |
| Total committed | 1,443,668 | - | - | - | 1,443,668 |
| Assigned to | | | | | |
| Community Benefit and Economic Development | 6,148,566 | - | - | - | 6,148,566 |
| OPEB fund | 436,432 | - | - | - | 436,432 |
| Community center | 1,046,641 | - | - | - | 1,046,641 |
| Capital asset replacement | 4,001,836 | - | - | - | 4,001,836 |
| Total assigned | 11,633,475 | - | - | - | 11,633,475 |
| Unassigned | | | | | |
| General Fund | 29,344,926 | - | - | - | 29,344,926 |
| Non-major Governmental Funds (deficit) | - | - | - | (177,705) | (177,705) |
| Total assigned | 29,344,926 | - | - | (177,705) | 29,167,221 |
| Total | \$ 53,057,096 | \$ 20,107,217 | \$ 6,210,891 | \$ 18,756,213 | \$ 98,131,417 |

Note 14 - Construction and Other Significant Commitments

The following material construction and other significant commitments existed at June 30, 2023:

| Project Name | Contract Amount | Expenditures to date as of June 30, 2023 | Remaining Commitments |
|--|----------------------|--|--------------------------|
| Capital Improvements Fund: | | | |
| 57 Freeway & Lambert Road Interchange Improvement Project | \$ 10,943,899 | \$ 1,946,513 | \$ 8,997,386 |
| Country Hills Pavement & Water | 9,148,376 | 6,054,467 | 3,093,909 |
| Pleasant Hill Water Improvements | 2,217,426 | 2,122,144 | 95,282 |
| South Brea Water Main Replacement | 2,245,999 | 2,218,893 | 27,106 |
| Emergency Message Signage | 654,876 | 20,717 | 634,159 |
| Citywide Sewer Improvements | 343,130 | 134,077 | 209,053 |
| Booster Station No. 2 & 3 | 1,067,263 | 14,509 | 1,052,754 |
| Valencia Reservoir Repainting | 1,064,522 | 52 | 1,064,470 |
| Booster Pump Enclosure & Restroom | 2,528,947 | 234,921 | 2,294,026 |
| Tracks Expansion Study | 6,619,931 | 61,649 | 6,558,282 |
| Arovista Park Modernization | 10,833,000 | 906,713 | 9,926,287 |
| Total | <u>\$ 47,667,369</u> | <u>\$ 13,714,655</u> | <u>\$ 33,952,714</u> |

Note 15 - 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 16 - Jointly Governed Organizations

Orange County City Managers Association (OCCMA)

The City is a member of the Orange County City Managers Association (OCCMA). OCCMA is an organization that provides a platform for City Managers to learn best practices, collaborate and share ideas. The City was appointed to serve as Treasurer and assumed administrative responsibilities of OCCMA. Therefore, OCCMA activities are reported as a custodial fund of the City. For the fiscal year ended June 30, 2023, the City received \$2,100 for assisting with Treasury functions.

North Orange County Public Safety Collaboration (NOC)

The City is a member of the North Orange County Public Safety Collaborative (NOC), along with 11 other cities. The NOC was established to spend state funds in accordance with Assembly Bill (AB) 97, an act of the State Legislature to address youth violence prevention and intervention in K-12 schools; promote and enhance the successful reentry of offenders into the community and to address homeless outreach and intervention efforts. Beginning July 1, 2022, the City was appointed as the fiscal agent for the \$8,000,000 grant to continue the NOC efforts through June 30, 2026, of which, the City receives \$800,000 for grant administration during the grant period.

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, 2023, the City paid \$67,756 to ILJAO for its share of operating and replacement costs. Separately prepared financial statements for ILJAO are available on the City's website.

Note 17 - 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 | \$ 368,117 |
| Cash and investments with fiscal agents | <u>12,306,246</u> |
| | <u>\$ 12,674,363</u> |

b. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2023, follows:

| | Beginning Balance | Accretion | Repayments | Ending Balance | Due Within One Year |
|------------------------------------|-----------------------|---------------------|---|----------------------|------------------------|
| Tax Allocation Bonds | | | | | |
| 2003 Tax Allocation Bonds | \$ 15,461,669 | \$ 810,644 | \$ - | \$ 16,272,313 | \$ - |
| 2013 Tax Allocation Bonds | 36,510,000 | - | (8,595,000) | 27,915,000 | 7,150,000 |
| 2016 Tax Allocation Bonds Series A | 5,385,000 | - | (1,025,000) | 4,360,000 | 1,055,000 |
| 2016 Tax Allocation Bonds Series B | 795,000 | - | (150,000) | 645,000 | 155,000 |
| 2017 Tax Allocation Bonds Series A | 34,684,807 | 469,811 | (50,000) | 35,104,618 | 1,515,000 |
| 2017 Tax Allocation Bonds Series B | 11,445,000 | - | (490,000) | 10,955,000 | 845,000 |
| Subtotal | <u>\$ 104,281,476</u> | <u>\$ 1,280,455</u> | <u>\$ (10,310,000)</u> | <u>95,251,931</u> | <u>\$ 10,720,000</u> |
| | | | Unamortized bond discounts and premiums | 4,723,812 | |
| Total | | | | <u>\$ 99,975,743</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 4.45% 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 its 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, 2023, was \$16,272,313.

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 remaining principal retirements ranging from \$1,500,000 to \$7,150,000. The remaining interest rates on the bonds is between 3.50% to 5.00%.

A financial guaranty insurance policy has been issued and, accordingly, no cash reserve balance is required. Bond payments are secured by a first pledge on all tax revenues on parity with the 2003 and 2017 Tax Allocation Bonds. The outstanding balance at June 30, 2023, was \$27,915,000.

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 remaining principal repayments ranging from \$1,055,000 to \$1,120,000 with interest rates ranging from 2.00% to 4.00%.

The outstanding balance at June 30, 2023 was \$4,360,000.

The Series B Serial Bonds totaling \$1,540,000 have remaining principal repayment ranging from \$155,000 to \$165,000 with interest rates ranging from 1.25% to 4.00%.

The outstanding balance at June 30, 2023 was \$645,000.

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 its nature, there are 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, 2023 was \$35,104,618.

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, 2023 was \$10,955,000.

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> |
|-----------------------------|--------------------------|--------------------------|---------------------------|
| 2024 | \$ 10,720,000 | \$ 2,904,388 | \$ 13,624,388 |
| 2025 | 10,339,534 | 2,872,660 | 13,212,194 |
| 2026 | 10,795,000 | 2,412,157 | 13,207,157 |
| 2027 | 9,890,000 | 1,988,538 | 11,878,538 |
| 2028 | 8,100,000 | 1,597,563 | 9,697,563 |
| 2029-2033 | 32,008,213 | 12,957,437 | 44,965,650 |
| 2034-2037 | 13,399,184 | 2,558,284 | 15,957,468 |
| Total | <u>\$ 95,251,931</u> | <u>\$ 27,291,027</u> | <u>\$ 122,542,958</u> |

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 \$122,542,958, with annual debt service requirements 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 \$13,527,838 and the debt service obligation was \$13,296,038.

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 payments. When the bonds are converted, then the Borrower will pay principal and interest per bond conversion. The outstanding balance at June 30, 2023, was \$3,324,340 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, 2023.

d. Deficit Net Position

As of June 30, 2023, the Agency had a deficit net position of \$84,965,235. This will be reduced with future receipt of distributions from the Redevelopment Property Tax Trust Fund from the County.

Note 18 - Adoption of New Standard

As of July 1, 2022, the City adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

| | Governmental Activities |
|---|----------------------------|
| Net Position at July 1, 2022, as previously presented | \$ 230,907,395 |
| GASB 96 Implementation: | |
| Add subscription IT asset | 246,357 |
| Add subscription liability | (246,357) |
| Net Position at July 1, 2022, as restated | \$ 230,907,395 |

Required Supplementary Information

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City of Brea, California
Schedule of Changes in the Net Pension Liability and Related Ratios – Miscellaneous Plan
Last Ten Years*
Years Ended June 30, 2023

| Miscellaneous | 2023 | 2022 | 2021 | 2020 | 2019 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability | | | | | |
| Service cost | \$ 2,507,756 | \$ 2,292,411 | \$ 2,377,727 | \$ 2,331,399 | \$ 2,447,787 |
| Interest on the total pension liability | 11,062,559 | 10,893,584 | 10,517,185 | 10,290,427 | 9,781,021 |
| Differences between actual and expected experience | (1,925,595) | 230,181 | (2,276,288) | 1,588,377 | 1,347,129 |
| Changes in assumptions | 4,989,438 | - | - | - | (670,255) |
| Benefit payments, including refunds of employee contributions | (8,667,849) | (8,108,945) | (7,527,291) | (6,867,189) | (6,401,688) |
| Net change in total pension liability | 7,966,309 | 5,307,231 | 3,091,333 | 7,343,014 | 6,503,994 |
| Total pension liability- beginning | 160,343,139 | 155,035,908 | 151,944,575 | 144,601,561 | 138,097,567 |
| Total pension liability- ending (a) | <u>\$ 168,309,448</u> | <u>\$ 160,343,139</u> | <u>\$ 155,035,908</u> | <u>\$ 151,944,575</u> | <u>\$ 144,601,561</u> |
| Plan fiduciary net position | | | | | |
| Net plan to plan resource movement | \$ - | \$ - | \$ - | \$ - | \$ 8,966 |
| Contributions- employer | 4,491,118 | 4,297,066 | 3,946,996 | 3,351,489 | 2,943,356 |
| Contributions- employee | 1,028,136 | 1,029,029 | 1,078,029 | 1,063,078 | 1,141,012 |
| Net investment income | (10,262,883) | 25,693,669 | 5,601,590 | 6,920,527 | 8,532,272 |
| Benefit payments, including refunds of employee contributions | (8,667,849) | (8,108,945) | (7,527,291) | (6,867,189) | (6,401,688) |
| Administrative expense | (85,268) | (113,962) | (156,681) | (76,178) | (157,356) |
| Other miscellaneous income/(expense) | - | - | - | 248 | (298,822) |
| Net change in plan fiduciary net position | (13,496,746) | 22,796,857 | 2,942,643 | 4,391,975 | 5,767,740 |
| Plan fiduciary net position- beginning | 136,880,188 | 114,083,331 | 111,140,688 | 106,748,713 | 100,980,973 |
| Plan fiduciary net position- ending (b) | <u>\$ 123,383,442</u> | <u>\$ 136,880,188</u> | <u>\$ 114,083,331</u> | <u>\$ 111,140,688</u> | <u>\$ 106,748,713</u> |
| Net pension liability - beginning | \$ 23,462,951 | \$ 40,952,577 | \$ 40,803,887 | \$ 37,852,848 | \$ 37,116,594 |
| Net pension liability- ending (a) - (b) | \$ 44,926,006 | \$ 23,462,951 | \$ 40,952,577 | \$ 40,803,887 | \$ 37,852,848 |
| Plan fiduciary net position as a percentage of the total pension liability | 73.31% | 85.37% | 73.59% | 73.15% | 73.82% |
| Covered payroll | \$ 12,313,380 | \$ 15,083,837 | \$ 15,618,412 | \$ 15,187,853 | \$ 15,773,914 |
| Net pension liability as percentage of covered payroll | 364.86% | 155.55% | 262.21% | 268.66% | 239.97% |
| Measurement period | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |

* Fiscal year 2015 was the first year of implementation.

Changes of Assumptions : In fiscal year 2023, the discount rate was reduced from 7.15% to 6.90% and the inflation rate was reduced from 2.50% to 2.30%. 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, 2023

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

* Fiscal year 2015 was the first year of implementation.

Changes of Assumptions: In fiscal year 2023, the discount rate was reduced from 7.15% to 6.90% and the inflation rate was reduced from 2.50% to 2.30%. 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, 2023

| Safety plan | 2021** | 2020 | 2019 |
|--|-----------------------|-----------------------|-----------------------|
| Total pension liability | | | |
| Service cost | \$ 3,203,351 | \$ 3,263,982 | \$ 3,257,422 |
| Interest | 18,915,355 | 18,359,943 | 17,527,382 |
| Difference between expected and actual experience | (31,244) | 3,599,666 | (224,664) |
| Changes in assumptions | - | - | (743,259) |
| Benefit payments, including refunds of employee contributions | <u>(14,387,531)</u> | <u>(13,201,232)</u> | <u>(12,285,824)</u> |
| Net change in total pension liability | 7,699,931 | 12,022,359 | 7,531,057 |
| Total pension liability- beginning | <u>270,173,742</u> | <u>258,151,383</u> | <u>250,620,326</u> |
| Total pension liability- ending (a) | <u>\$ 277,873,673</u> | <u>\$ 270,173,742</u> | <u>\$ 258,151,383</u> |
| Plan fiduciary net position | | | |
| Net plan to plan resource movement | \$ - | \$ - | \$ (9,613) |
| Contributions- employer | 7,928,182 | 6,943,831 | 6,122,219 |
| Contributions- employee | 1,219,554 | 1,090,070 | 1,117,627 |
| Net investment income | 8,890,536 | 11,226,191 | 13,829,770 |
| Benefit payments, including refunds of employee contributions | (14,387,531) | (13,201,232) | (12,285,824) |
| Administrative expenses | (249,637) | (122,130) | (254,161) |
| Other miscellaneous income/(expense) | - | 399 | (482,656) |
| Net change in plan fiduciary net position | 3,401,104 | 5,937,129 | 8,037,362 |
| Plan fiduciary net position- beginning | <u>177,078,406</u> | <u>171,141,277</u> | <u>163,103,915</u> |
| Plan fiduciary net position- ending (b) | <u>\$ 180,479,510</u> | <u>\$ 177,078,406</u> | <u>\$ 171,141,277</u> |
| Net pension liability- ending (a) - (b) | \$ 97,394,163 | \$ 93,095,336 | \$ 87,010,106 |
| Plan fiduciary net position as a percentage of the total pension liability | 64.95% | 65.54% | 66.29% |
| Covered payroll | \$ 11,736,459 | \$ 11,724,815 | \$ 11,688,892 |
| Net pension liability as percentage of covered payroll | 829.84% | 794.00% | 744.38% |
| Measurement period | June 30, 2020 | June 30, 2019 | June 30, 2018 |

* Fiscal year 2015 was the first year of implementation.

** Fiscal year 2022, the City's safety plan was transferred to the CalPERS Cost-Sharing Safety Plan.

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, 2023

| Safety plan | 2018 | 2017 | 2016 | 2015 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability | | | | |
| Service cost | \$ 3,216,910 | \$ 2,745,588 | \$ 2,865,433 | \$ 3,080,297 |
| Interest | 16,994,058 | 16,654,242 | 16,223,231 | 15,749,580 |
| Difference between expected and actual experience | (2,374,086) | (2,403,349) | (2,307,435) | - |
| Changes in assumptions | 14,075,011 | - | (3,994,113) | - |
| Benefit payments, including refunds of employee contributions | <u>(11,322,632)</u> | <u>(11,396,941)</u> | <u>(10,585,623)</u> | <u>(10,108,174)</u> |
| Net change in total pension liability | 20,589,261 | 5,599,540 | 2,201,493 | 8,721,703 |
| Total pension liability- beginning | <u>230,031,065</u> | <u>224,431,525</u> | <u>222,230,032</u> | <u>213,508,329</u> |
| Total pension liability- ending (a) | <u>\$ 250,620,326</u> | <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 | \$ 68,950 | \$ - | \$ - | \$ - |
| Contributions- employer | 5,562,362 | 4,627,179 | 3,591,767 | 3,655,839 |
| Contributions- employee | 1,103,737 | 973,955 | 1,084,088 | 1,024,137 |
| Net investment income | 16,755,962 | 746,473 | 3,517,885 | 24,058,889 |
| Benefit payments, including refunds of employee contributions | (11,322,632) | (11,396,941) | (10,585,623) | (10,108,174) |
| Administrative expenses | (223,176) | (95,259) | (175,877) | - |
| Other miscellaneous income/(expense) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in plan fiduciary net position | 11,945,203 | (5,144,593) | (2,567,760) | 18,630,691 |
| Plan fiduciary net position- beginning | <u>151,158,712</u> | <u>156,303,305</u> | <u>158,871,065</u> | <u>140,240,374</u> |
| Plan fiduciary net position- ending (b) | <u>\$ 163,103,915</u> | <u>\$ 151,158,712</u> | <u>\$ 156,303,305</u> | <u>\$ 158,871,065</u> |
| Net pension liability- ending (a) - (b) | \$ 87,516,411 | \$ 78,872,353 | \$ 68,128,220 | \$ 63,358,967 |
| Plan fiduciary net position as a percentage of the total pension liability | 65.08% | 65.71% | 69.64% | 71.49% |
| Covered payroll | \$ 10,703,998 | \$ 10,168,516 | \$ 9,980,447 | \$ 9,919,059 |
| Net pension liability as percentage of covered payroll | 817.60% | 775.65% | 682.62% | 638.76% |
| Measurement period | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |

* Fiscal year 2015 was the first year of implementation.

Changes of Assumptions: In fiscal year 2019, the inflation rate and experience studies were updated. In fiscal year 2017, the discount rate was reduced from 7.65 % to 7.15 %. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65%. 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 Proportionate Share of the Net Pension Liability – Safety Plan
Last Ten Years*
Years Ended June 30, 2023

| | 2023 | 2022 |
|--|----------------|---------------|
| City's proportion of the net pension liability | \$ 112,689,685 | \$ 73,798,584 |
| City's proportionate share of the net pension liability | 1.6399% | 2.1028% |
| Covered payroll | \$ 14,012,786 | \$ 11,367,662 |
| City's proportionate share of the net pension liability as a percentage of covered payroll | 804.19% | 649.20% |
| Plan fiduciary net position as a percentage of total pension liability | 71.36% | 63.06% |
| Measurement date: | June 30, 2022 | June 30, 2021 |

Notes to Schedule:

* Fiscal year 2021 was the first year of the City's cost-sharing safety plan.

City of Brea, California
Schedule of Plan Contributions – Miscellaneous and Safety Plans
Last Ten Years*
Years Ended June 30, 2023

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|--|---------------|---------------|---------------|---------------|---------------|
| Miscellaneous plan | | | | | |
| Actuarially determined contributions | \$ 4,086,520 | \$ 3,707,509 | \$ 3,578,109 | \$ 3,228,649 | \$ 2,802,915 |
| Contributions in relation to the actuarially determined contribution | (4,086,520) | (3,707,509) | (3,578,109) | (3,228,649) | (2,802,915) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 12,712,806 | \$ 12,313,380 | \$ 15,083,837 | \$ 15,618,412 | \$ 15,187,853 |
| Contributions as a percentage of covered payroll | 32.14% | 30.11% | 23.72% | 20.67% | 18.45% |
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Safety plan | | | | | |
| Actuarially determined contributions | \$ 11,215,589 | \$ 10,200,946 | \$ 9,453,973 | \$ 8,657,724 | \$ 7,500,416 |
| Contributions in relation to the actuarially determined contribution | (11,215,589) | (10,200,946) | (9,453,973) | (8,657,724) | (7,500,416) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 13,841,154 | \$ 14,012,786 | \$ 11,367,662 | \$ 11,736,459 | \$ 11,724,815 |
| Contributions as a percentage of covered payroll | 81.03% | 72.80% | 83.17% | 73.77% | 63.97% |

* 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 | Fair value |
| Inflation | 2.30% |
| Salary increases | Varies by Entry Age and Service |
| Payroll growth | 3.00% |
| Investment rate of return | 6.90%, net of pension plan investment and administrative expenses, including inflation. |
| Retirement age | The probabilities of Retirement are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. |

City of Brea, California
Schedule of Plan Contributions – Miscellaneous and Safety Plans
Last Ten Years*
Years Ended June 30, 2023

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

* Fiscal year 2015 was the first year of implementation.

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

| | |
|---------------------------|--|
| Actuarial cost method | Entry Age Normal Cost Method |
| Amortization method | Level Percent of payroll |
| Asset valuation method | Fair value |
| Inflation | 2.30% |
| Salary increases | Varies by Entry Age and Service |
| Payroll growth | 3.00% |
| Investment rate of return | 6.90%, net of pension plan investment and administrative expenses, including inflation. |
| Retirement age | The probabilities of Retirement are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. |

City of Brea, California
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Ten Years*
Year Ended June 30, 2023

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | | | |
| Service cost | \$ 994,959 | \$ 1,123,147 | \$ 787,934 | \$ 849,287 | \$ 882,455 | \$ 1,020,496 |
| Interest on the total OPEB liability | 638,376 | 679,725 | 884,296 | 1,000,101 | 936,624 | 801,573 |
| Differences between actual and expected experience | - | (628,511) | - | (2,073,628) | - | - |
| Changes in assumptions | (4,765,135) | (1,005,114) | 4,760,345 | 976,091 | (908,163) | (2,488,279) |
| Benefit payments, including of employee-contributions | (1,242,198) | (1,244,546) | (1,308,694) | (1,225,956) | (1,170,100) | (1,146,800) |
| Net change in total OPEB liability | (4,373,998) | (1,075,299) | 5,123,881 | (474,105) | (259,184) | (1,813,010) |
| Total OPEB liability - beginning | 29,180,581 | 30,255,880 | 25,131,999 | 25,606,104 | 25,865,288 | 27,678,298 |
| Total OPEB liability - ending | <u>\$ 24,806,583</u> | <u>\$ 29,180,581</u> | <u>\$ 30,255,880</u> | <u>\$ 25,131,999</u> | <u>\$ 25,606,104</u> | <u>\$ 25,865,288</u> |
| Covered-employee payroll | \$ 27,218,064 | \$ 26,326,166 | \$ 27,571,820 | \$ 27,001,678 | \$ 27,465,185 | \$ 33,837,681 |
| Total OPEB liability as a percentage of covered-employee payroll | 91.14% | 110.84% | 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, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---|-----------------------|---------------------|----------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 53,522,231 | \$ 55,809,954 | \$ 56,229,925 | \$ 419,971 |
| Licenses and permits | 519,183 | 519,183 | 393,659 | (125,524) |
| Intergovernmental | 9,322,971 | 14,628,702 | 14,203,467 | (425,235) |
| Charges for services | 4,008,149 | 4,023,375 | 3,446,957 | (576,418) |
| Investment income, net | 1,080,350 | 1,080,350 | 1,097,842 | 17,492 |
| Fines and forfeitures | 329,400 | 329,400 | 323,185 | (6,215) |
| Rental income | 2,609,747 | 2,609,747 | 2,580,302 | (29,445) |
| Miscellaneous | 2,509,950 | 2,532,350 | 2,354,378 | (177,972) |
| Total revenues | <u>73,901,981</u> | <u>81,533,061</u> | <u>80,629,715</u> | <u>(903,346)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| City Management | 3,267,847 | 3,342,039 | 3,235,788 | 106,251 |
| Administrative Services | 5,382,746 | 5,324,360 | 5,297,972 | 26,388 |
| Public safety | | | | |
| Police | 26,835,159 | 27,144,284 | 26,845,601 | 298,683 |
| Fire | 16,651,894 | 15,804,344 | 15,594,441 | 209,903 |
| Community development | 3,464,479 | 2,641,683 | 2,496,372 | 145,311 |
| Community services | 8,637,643 | 9,020,043 | 9,612,938 | (592,895) |
| Public works | 7,052,259 | 7,143,033 | 6,845,184 | 297,849 |
| Capital outlay | 748,730 | 1,529,260 | 537,016 | 992,244 |
| Debt service | | | | |
| Principal retirement | - | - | 118,266 | (118,266) |
| Interest and fiscal charges | 176,800 | 176,800 | 92,968 | 83,832 |
| Total expenditures | <u>72,217,557</u> | <u>72,125,846</u> | <u>70,676,546</u> | <u>1,449,300</u> |
| Excess (deficiency) of revenues over(under) expenditures | <u>1,684,424</u> | <u>9,407,215</u> | <u>9,953,169</u> | <u>545,954</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of capital assets | 8,659 | 8,659 | 3,331 | (5,328) |
| Subscriptions | - | - | 36,055 | 36,055 |
| Leases (lessee) | - | - | 111,620 | 111,620 |
| Transfers in | 2,500,193 | 1,817,000 | 450,000 | (1,367,000) |
| Transfers out | (6,958,688) | (11,990,530) | (5,899,731) | 6,090,799 |
| Total other financing sources (uses) | <u>(4,449,836)</u> | <u>(10,164,871)</u> | <u>(5,298,725)</u> | <u>4,866,146</u> |
| Net change in Fund Balance | <u>\$ (2,765,412)</u> | <u>\$ (757,656)</u> | 4,654,444 | <u>\$ 5,412,100</u> |
| Fund Balance, Beginning of Year | | | <u>48,402,652</u> | |
| Fund Balance, End of Year | | | <u>\$ 53,057,096</u> | |

City of Brea, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –
Housing Successor Fund
Year Ended June 30, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---------------------------------|--------------------|---------------------|----------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Investment income, net | \$ 103,200 | \$ 103,200 | \$ 40,590 | \$ (62,610) |
| Other revenues | 141,900 | 141,900 | 33,000 | (108,900) |
| Total revenues | <u>245,100</u> | <u>245,100</u> | <u>73,590</u> | <u>(171,510)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 2,110 | 2,110 | 10,351 | (8,241) |
| Community development | 314,360 | 391,365 | 245,463 | 145,902 |
| Total expenditures | <u>316,470</u> | <u>393,475</u> | <u>255,814</u> | <u>137,661</u> |
| Net Change in Fund Balance | <u>\$ (71,370)</u> | <u>\$ (148,375)</u> | (182,224) | <u>\$ (33,849)</u> |
| Fund Balance, Beginning of Year | | | <u>20,289,441</u> | |
| Fund Balance, End of Year | | | <u>\$ 20,107,217</u> | |

Note 1 - 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.

Note 2 - 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, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---|----------------------|----------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 5,820,000 | \$ 14,305,110 | \$ 357,891 | \$ (13,947,219) |
| Charges for services | 1,801,090 | 1,801,090 | 205,920 | (1,595,170) |
| Investment income, net | 54,830 | 54,830 | 42,895 | (11,935) |
| Other revenues | 16,600 | 97,304 | 20,112 | (77,192) |
| Total revenues | <u>7,692,520</u> | <u>16,258,334</u> | <u>626,818</u> | <u>(15,631,516)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 397,628 | 400,631 | 527,339 | (126,708) |
| Public safety | - | 99,165 | 99,164 | 1 |
| Public works | 49,780 | 49,780 | 49,780 | - |
| Capital outlay | 12,000 | 52,789 | 5,809,640 | (5,756,851) |
| Total expenditures | <u>459,408</u> | <u>602,365</u> | <u>6,485,923</u> | <u>(5,883,558)</u> |
| Excess (deficiency) of revenues over(under) expenditures | <u>7,233,112</u> | <u>15,655,969</u> | <u>(5,859,105)</u> | <u>(21,515,074)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 20,799,000 | 42,757,476 | 5,558,027 | (37,199,449) |
| Transfer out | (400,000) | (4,306,156) | (49,245) | 4,256,911 |
| Total other financing sources (uses) | <u>20,399,000</u> | <u>38,451,320</u> | <u>5,508,782</u> | <u>(32,942,538)</u> |
| Net Change in Fund Balance | <u>\$ 27,632,112</u> | <u>\$ 54,107,289</u> | (350,323) | <u>\$ (54,457,612)</u> |
| Fund Balance, Beginning of Year | | | <u>6,561,214</u> | |
| Fund Balance, End of Year | | | <u>\$ 6,210,891</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.

Opioid Settlement Fund

This fund is used to account for revenues received from the State of California and are restricted for future opioid remediation and reimbursement of past opioid-related expenditures. There was no adopted budget for the fund.

Development Fund

This fund is used to account for the receipt and expenditure of developer fees. There was no adopted budget for the fund.

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.

City of Brea, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023

| | Special Revenue Funds | | | |
|---|----------------------------|------------------------------|----------------------------|----------------------------|
| | Narcotics | | | |
| | Gas Tax | Enforcement Asset Seizure | Air Quality Improvement | Park Development |
| Assets | | | | |
| Cash and investments | \$ 3,798,475 | \$ 562,155 | \$ 154,742 | \$ 2,349,600 |
| Receivables | | | | |
| Taxes | - | - | - | - |
| Accounts | - | - | - | - |
| Notes and loans | - | - | - | - |
| Due from other governments | 199,708 | - | 15,632 | - |
| Total assets | <u>\$ 3,998,183</u> | <u>\$ 562,155</u> | <u>\$ 170,374</u> | <u>\$ 2,349,600</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 90,905 | \$ - | \$ - |
| Accrued liabilities | - | - | - | - |
| Unearned revenues | - | - | - | - |
| Due to other governments | - | - | - | - |
| Due to other funds | - | - | - | - |
| Total liabilities | <u>-</u> | <u>90,905</u> | <u>-</u> | <u>-</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable revenues | - | - | - | - |
| Fund Balances (Deficit) | | | | |
| Nonspendable | - | - | - | - |
| Restricted | | | | |
| Community development projects | - | - | - | - |
| Public safety | - | 471,250 | - | - |
| Public works | 3,998,183 | - | 170,374 | - |
| Capital projects | - | - | - | 2,349,600 |
| Unassigned (deficit) | - | - | - | - |
| Total fund balances (deficit) | <u>3,998,183</u> | <u>471,250</u> | <u>170,374</u> | <u>2,349,600</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 3,998,183</u> | <u>\$ 562,155</u> | <u>\$ 170,374</u> | <u>\$ 2,349,600</u> |

(continued)

City of Brea, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023

| | Special Revenue Funds | | | |
|---|-----------------------|-----------------------------|---|------------------|
| | Measure M | Affordable Housing Trust | Community Development Block Grant | HOME Program |
| Assets | | | | |
| Cash and investments | \$ 1,548,500 | \$ 3,269,480 | \$ - | \$ - |
| Receivables | | | | |
| Taxes | - | - | - | - |
| Accounts | - | - | 2,595 | - |
| Notes and loans | - | 106,724 | 1,364,951 | 18,241 |
| Due from other governments | <u>216,178</u> | <u>-</u> | <u>103,575</u> | <u>-</u> |
| Total assets | <u>\$ 1,764,678</u> | <u>\$ 3,376,204</u> | <u>\$ 1,471,121</u> | <u>\$ 18,241</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 2,093 | \$ - | \$ 6,333 | \$ - |
| Accrued liabilities | - | - | - | - |
| Unearned revenues | - | - | - | - |
| Due to other governments | - | - | 1,364,951 | 18,241 |
| Due to other funds | <u>-</u> | <u>-</u> | <u>173,222</u> | <u>-</u> |
| Total liabilities | <u>2,093</u> | <u>-</u> | <u>1,544,506</u> | <u>18,241</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable revenues | <u>-</u> | <u>-</u> | <u>103,575</u> | <u>-</u> |
| Fund Balances (Deficit) | | | | |
| Nonspendable | - | - | - | - |
| Restricted | | | | |
| Community development projects | - | 3,376,204 | - | - |
| Public safety | - | - | - | - |
| Public works | 1,762,585 | - | - | - |
| Capital projects | - | - | - | - |
| Unassigned (deficit) | <u>-</u> | <u>-</u> | <u>(176,960)</u> | <u>-</u> |
| Total fund balances (deficit) | <u>1,762,585</u> | <u>3,376,204</u> | <u>(176,960)</u> | <u>-</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,764,678</u> | <u>\$ 3,376,204</u> | <u>\$ 1,471,121</u> | <u>\$ 18,241</u> |

(continued)

City of Brea, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023

| | Special Revenue Funds | | | |
|---|-----------------------|--------------------|--------------------------|-----------------------------|
| | Blackstone CFD | La Floresta CFD | Taylor - Morrison CFD | Central Park Village CFD |
| Assets | \$ 2,135,605 | \$ 348,170 | \$ 102,715 | \$ 132,036 |
| Cash and investments | | | | |
| Receivables | 26,052 | 8,741 | 1,053 | 640 |
| Taxes | - | - | - | - |
| Accounts | - | - | - | - |
| Notes and loans | - | - | - | - |
| Due from other governments | - | - | - | - |
| Total assets | <u>\$ 2,161,657</u> | <u>\$ 356,911</u> | <u>\$ 103,768</u> | <u>\$ 132,676</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities | \$ 10,019 | \$ 812 | \$ - | \$ - |
| Accounts payable | 7,185 | 8,166 | 571 | 1,549 |
| Accrued liabilities | - | - | - | - |
| Unearned revenues | - | - | - | - |
| Due to other governments | - | - | - | - |
| Due to other funds | - | - | - | - |
| Total liabilities | <u>17,204</u> | <u>8,978</u> | <u>571</u> | <u>1,549</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable revenues | - | - | - | - |
| Fund Balances (Deficit) | | | | |
| Nonspendable | - | - | - | - |
| Restricted | | | | |
| Community development projects | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | 2,144,453 | 347,933 | 103,197 | 131,127 |
| Capital projects | - | - | - | - |
| Unassigned (deficit) | - | - | - | - |
| Total fund balances (deficit) | <u>2,144,453</u> | <u>347,933</u> | <u>103,197</u> | <u>131,127</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 2,161,657</u> | <u>\$ 356,911</u> | <u>\$ 103,768</u> | <u>\$ 132,676</u> |

(continued)

City of Brea, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023

| | Special Revenue Funds | | Capital Projects Funds | | Total Nonmajor Governmental Funds |
|---|-----------------------|----------------------------------|--|-------------------|--|
| | Development Fund | National Opioid Settlement | Capital and Mitigation Improvement | Storm Drain | |
| Assets | | | | | |
| Cash and investments | \$ 1,666,294 | \$ 97,438 | \$ 3,738,967 | \$ 340,045 | \$ 20,244,222 |
| Receivables | | | | | |
| Taxes | - | - | - | - | 36,486 |
| Accounts | - | - | - | - | 2,595 |
| Notes and loans | - | - | - | - | 1,489,916 |
| Due from other governments | - | - | - | - | 535,093 |
| Total assets | \$ 1,666,294 | \$ 97,438 | \$ 3,738,967 | \$ 340,045 | \$ 22,308,312 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 162,331 | \$ - | \$ - | \$ - | \$ 272,493 |
| Accrued liabilities | 3,682 | - | - | - | 21,153 |
| Unearned revenues | 1,500,281 | 98,183 | - | - | 1,598,464 |
| Due to other governments | - | - | - | - | 1,383,192 |
| Due to other funds | - | - | - | - | 173,222 |
| Total liabilities | 1,666,294 | 98,183 | - | - | 3,448,524 |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenues | - | - | - | - | 103,575 |
| Fund Balances (Deficit) | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | | | | | |
| Community development projects | - | - | - | - | 3,376,204 |
| Public safety | - | - | - | - | 471,250 |
| Public works | - | - | - | - | 8,657,852 |
| Capital projects | - | - | 3,738,967 | 340,045 | 6,428,612 |
| Unassigned (deficit) | - | (745) | - | - | (177,705) |
| Total fund balances (deficit) | - | (745) | 3,738,967 | 340,045 | 18,756,213 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,666,294 | \$ 97,438 | \$ 3,738,967 | \$ 340,045 | \$ 22,308,312 |

City of Brea, California
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2023

| | Special Revenue Funds | | | |
|--|-----------------------|---|----------------------------|---------------------|
| | Gas Tax | Narcotics Enforcement Asset Seizure | Air Quality Improvement | Park Development |
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 2,242,160 | - | 118,374 | - |
| Investment income, net | 19,616 | 2,655 | 386 | 12,677 |
| Fines and forfeitures | - | 7,393 | - | - |
| Other revenues | - | - | - | - |
| Total revenues | <u>2,261,776</u> | <u>10,048</u> | <u>118,760</u> | <u>12,677</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 7,383 | 32,998 | 415 | 4,608 |
| Public safety | - | 31,802 | 419,978 | - |
| Community development | - | - | - | - |
| Public works | - | - | - | - |
| Total expenditures | <u>7,383</u> | <u>64,800</u> | <u>420,393</u> | <u>4,608</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,254,393</u> | <u>(54,752)</u> | <u>(301,633)</u> | <u>8,069</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of capital assets | - | 6,000 | - | - |
| Transfers in | - | - | - | - |
| Transfers out | <u>(1,656,130)</u> | <u>-</u> | <u>-</u> | <u>(64,907)</u> |
| Total other financing sources (uses) | <u>(1,656,130)</u> | <u>6,000</u> | <u>-</u> | <u>(64,907)</u> |
| Net Change in Fund Balances | 598,263 | (48,752) | (301,633) | (56,838) |
| Fund Balances (Deficit), Beginning of Year | <u>3,399,920</u> | <u>520,002</u> | <u>472,007</u> | <u>2,406,438</u> |
| Fund Balances (Deficit), End of Year | <u>\$ 3,998,183</u> | <u>\$ 471,250</u> | <u>\$ 170,374</u> | <u>\$ 2,349,600</u> |

(continued)

City of Brea, California
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2023

| | Special Revenue Funds | | | |
|--|-----------------------|-----------------------------|---|-----------------|
| | Measure M | Affordable Housing Trust | Community Development Block Grant | HOME Program |
| Revenues | | | | |
| Taxes | \$ 1,318,335 | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | 130,770 | - |
| Investment income, net | 7,788 | 17,089 | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenues | - | - | 3,404 | - |
| Total revenues | <u>1,326,123</u> | <u>17,089</u> | <u>134,174</u> | <u>-</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 2,983 | 6,268 | - | - |
| Public safety | - | - | - | - |
| Community development | - | 25,400 | 105,814 | - |
| Public works | 34,289 | - | - | - |
| Total expenditures | <u>37,272</u> | <u>31,668</u> | <u>105,814</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,288,851</u> | <u>(14,579)</u> | <u>28,360</u> | <u>-</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of capital assets | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | (906,513) | - | - | - |
| Total other financing sources (uses) | <u>(906,513)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | 382,338 | (14,579) | 28,360 | - |
| Fund Balances (Deficit), Beginning of Year | <u>1,380,247</u> | <u>3,390,783</u> | <u>(205,320)</u> | <u>-</u> |
| Fund Balances (Deficit), End of Year | <u>\$ 1,762,585</u> | <u>\$ 3,376,204</u> | <u>\$ (176,960)</u> | <u>\$ -</u> |

(continued)

City of Brea, California
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2023

| | Special Revenue Funds | | | |
|--|-----------------------|--------------------|-------------------------|-----------------------------|
| | Blackstone CFD | La Floresta CFD | Taylor- Morrison CFD | Central Park Village CFD |
| Revenues | | | | |
| Taxes | \$ 862,025 | \$ 527,220 | \$ 52,159 | \$ 127,149 |
| Intergovernmental | - | - | - | - |
| Investment income, net | 10,414 | 1,482 | 798 | 982 |
| Fines and forfeitures | - | - | - | - |
| Other revenues | - | - | - | - |
| Total revenues | <u>872,439</u> | <u>528,702</u> | <u>52,957</u> | <u>128,131</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 8,238 | 612 | 262 | 356 |
| Public safety | 465,589 | 479,085 | 93,436 | 183,051 |
| Community development | - | - | - | - |
| Public works | 331,879 | 24,596 | - | - |
| Total expenditures | <u>805,706</u> | <u>504,293</u> | <u>93,698</u> | <u>183,407</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>66,733</u> | <u>24,409</u> | <u>(40,741)</u> | <u>(55,276)</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of capital assets | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | 66,733 | 24,409 | (40,741) | (55,276) |
| Fund Balances (Deficit), Beginning of Year | <u>2,077,720</u> | <u>323,524</u> | <u>143,938</u> | <u>186,403</u> |
| Fund Balances (Deficit), End of Year | <u>\$ 2,144,453</u> | <u>\$ 347,933</u> | <u>\$ 103,197</u> | <u>\$ 131,127</u> |

(continued)

City of Brea, California
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2023

| | Special Revenue Fund | | Capital Projects Funds | | Total Nonmajor Governmental Funds |
|--|----------------------|----------------------------------|--|--------------|--|
| | Development Fund | National Opioid Settlement | Capital and Mitigation Improvement | Storm Drain | |
| Revenues | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 2,886,888 |
| Intergovernmental | - | - | - | - | 2,491,304 |
| Investment income, net | - | 362 | 19,852 | 1,765 | 95,866 |
| Fines and forfeitures | - | - | - | - | 7,393 |
| Other revenues | 2,510,030 | (1,000) | - | - | 2,512,434 |
| Total revenues | 2,510,030 | (638) | 19,852 | 1,765 | 7,993,885 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | - | 107 | 7,027 | 648 | 71,905 |
| Public safety | - | - | - | - | 1,672,941 |
| Community development | - | - | - | - | 131,214 |
| Public works | 2,510,030 | - | - | - | 2,900,794 |
| Total expenditures | 2,510,030 | 107 | 7,027 | 648 | 4,776,854 |
| Excess (deficiency) of revenues over (under) expenditures | - | (745) | 12,825 | 1,117 | 3,217,031 |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from sale of capital assets | - | - | - | - | 6,000 |
| Transfers in | - | - | 56,000 | - | 56,000 |
| Transfers out | - | - | - | - | (2,627,550) |
| Total other financing sources (uses) | - | - | 56,000 | - | (2,565,550) |
| Net Change in Fund Balances | - | (745) | 68,825 | 1,117 | 651,481 |
| Fund Balances (Deficit), Beginning of Year | - | - | 3,670,142 | 338,928 | 18,104,732 |
| Fund Balances (Deficit), End of Year | \$ - | \$ (745) | \$ 3,738,967 | \$ 340,045 | \$ 18,756,213 |

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, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---|--------------------|-----------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 2,349,363 | \$ 2,349,363 | \$ 2,242,160 | \$ (107,203) |
| Investment income, net | 35,900 | 40,119 | 19,616 | (20,503) |
| Total revenues | <u>2,385,263</u> | <u>2,389,482</u> | <u>2,261,776</u> | <u>(127,706)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | - | 7,385 | 7,383 | 2 |
| Excess (deficiency) of revenues over(under) expenditures | <u>2,385,263</u> | <u>2,382,097</u> | <u>2,254,393</u> | <u>(127,704)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | <u>(1,890,000)</u> | <u>(3,503,710)</u> | <u>(1,656,130)</u> | <u>1,847,580</u> |
| Net Change in Fund Balance | <u>\$ 495,263</u> | <u>\$ (1,121,613)</u> | 598,263 | <u>\$ 1,719,876</u> |
| Fund Balance, Beginning of Year | | | <u>3,399,920</u> | |
| Fund Balance, End of Year | | | <u>\$ 3,998,183</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, 2023

| | Budget Amounts | | Actual | Variance with |
|---|----------------|-------------|------------|---|
| | Original | Final | Amounts | Final Budget Positive/ (Negative) |
| Revenues | | | | |
| Investment income, net | \$ 5,000 | \$ 5,000 | \$ 2,655 | \$ (2,345) |
| Fines and forfeitures | 5,000 | 5,000 | 7,393 | 2,393 |
| Total revenues | 10,000 | 10,000 | 10,048 | 48 |
| Expenditures | | | | |
| Current | | | | |
| General government | 40,400 | 40,400 | 32,998 | 7,402 |
| Public safety | - | 31,802 | 31,802 | - |
| Total expenditures | 40,400 | 72,202 | 64,800 | 7,402 |
| Excess (deficiency) of revenues over(under) expenditures | (30,400) | (62,202) | (54,752) | 7,450 |
| Other financing sources (uses): | | | | |
| Sale of land and equipment | - | - | 6,000 | 6,000 |
| Net Change in Fund Balance | \$ (30,400) | \$ (62,202) | (48,752) | \$ 13,450 |
| Fund Balance, Beginning of Year | | | 520,002 | |
| Fund Balance, End of Year | | | \$ 471,250 | |

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, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---------------------------------|----------------|--------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 56,000 | \$ 112,500 | \$ 118,374 | \$ 5,874 |
| Investment income, net | 2,800 | 2,800 | 386 | (2,414) |
| Total revenues | 58,800 | 115,300 | 118,760 | 3,460 |
| Expenditures | | | | |
| Current | | | | |
| General government | - | - | 415 | (415) |
| Public safety | - | 495,000 | 419,978 | 75,022 |
| Total expenditures | - | 495,000 | 420,393 | 74,607 |
| Net Change in Fund Balance | \$ 58,800 | \$ (379,700) | (301,633) | \$ 78,067 |
| Fund Balance, Beginning of Year | | | 472,007 | |
| Fund Balance, End of Year | | | \$ 170,374 | |

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, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---|---------------------|-----------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Investment income, net | \$ 31,000 | \$ 31,000 | \$ 12,677 | \$ (18,323) |
| Total revenues | <u>31,000</u> | <u>31,000</u> | <u>12,677</u> | <u>(18,323)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | - | 4,608 | 4,608 | - |
| Excess (deficiency) of revenues over(under) expenditures | <u>31,000</u> | <u>26,392</u> | <u>8,069</u> | <u>(18,323)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | <u>(1,000,000)</u> | <u>(2,225,100)</u> | <u>(64,907)</u> | <u>2,160,193</u> |
| Net Change in Fund Balance | <u>\$ (969,000)</u> | <u>\$ (2,198,708)</u> | (56,838) | <u>\$ 2,141,870</u> |
| Fund Balance, Beginning of Year | | | <u>2,406,438</u> | |
| Fund Balance, End of Year | | | <u>\$ 2,349,600</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, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---|-------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 1,139,991 | \$ 1,139,991 | \$ 1,318,335 | \$ 178,344 |
| Investment income, net | 10,296 | 10,296 | 7,788 | (2,508) |
| Total revenues | <u>1,150,287</u> | <u>1,150,287</u> | <u>1,326,123</u> | <u>175,836</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 12,798 | 12,798 | 2,983 | 9,815 |
| Public works | 63,352 | 63,352 | 34,289 | 29,063 |
| Total expenditures | <u>76,150</u> | <u>76,150</u> | <u>37,272</u> | <u>38,878</u> |
| Excess (deficiency) of revenues over(under) expenditures | <u>1,074,137</u> | <u>1,074,137</u> | <u>1,288,851</u> | <u>214,714</u> |
| Other financing sources (uses) | | | | |
| Transfers out | <u>(860,000)</u> | <u>(1,259,997)</u> | <u>(906,513)</u> | <u>353,484</u> |
| Net Change in Fund Balance | <u>\$ 214,137</u> | <u>\$ (185,860)</u> | 382,338 | <u>\$ 568,198</u> |
| Fund Balance, Beginning of Year | | | <u>1,380,247</u> | |
| Fund Balance, End of Year | | | <u>\$ 1,762,585</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, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---------------------------------|-------------------|-------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Investment income, net | \$ 66,700 | \$ 66,700 | \$ 17,089 | \$ (49,611) |
| Other revenues | 100,000 | 100,000 | - | (100,000) |
| Total revenues | <u>166,700</u> | <u>166,700</u> | <u>17,089</u> | <u>(149,611)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | - | - | 6,268 | (6,268) |
| Community development | 36,576 | 36,576 | 25,400 | 11,176 |
| Total expenditures | <u>36,576</u> | <u>36,576</u> | <u>31,668</u> | <u>4,908</u> |
| Net Change in Fund Balance | <u>\$ 130,124</u> | <u>\$ 130,124</u> | (14,579) | <u>\$ (144,703)</u> |
| Fund Balance, Beginning of Year | | | <u>3,390,783</u> | |
| Fund Balance, End of Year | | | <u>\$ 3,376,204</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, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---|----------------|---------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 187,500 | \$ 187,500 | \$ 130,770 | \$ (56,730) |
| Other revenues | - | - | 3,404 | 3,404 |
| Total revenues | <u>187,500</u> | <u>187,500</u> | <u>134,174</u> | <u>(53,326)</u> |
| Expenditures | | | | |
| Current | | | | |
| Community development | <u>187,500</u> | <u>334,187</u> | <u>105,814</u> | <u>228,373</u> |
| Excess (deficiency) of revenues over(under) expenditures | <u>-</u> | <u>(146,687)</u> | <u>28,360</u> | <u>171,643</u> |
| Other financing sources (uses) | | | | |
| Transfers out | <u>-</u> | <u>(46,425)</u> | <u>-</u> | <u>46,425</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ (193,112)</u> | 28,360 | <u>\$ 218,068</u> |
| Fund Balance, Beginning of Year | | | <u>(205,320)</u> | |
| Fund Balance, End of Year | | | <u>\$ (176,960)</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, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---------------------------------|-----------------|-------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 861,300 | \$ 861,300 | \$ 862,025 | \$ 725 |
| Investment income, net | 42,800 | 42,800 | 10,414 | (32,386) |
| Total revenues | <u>904,100</u> | <u>904,100</u> | <u>872,439</u> | <u>(31,661)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 10,747 | 10,747 | 8,238 | 2,509 |
| Public safety | 482,985 | 486,394 | 465,589 | 20,805 |
| Public works | 411,158 | 416,205 | 331,879 | 84,326 |
| Total expenditures | <u>904,890</u> | <u>913,346</u> | <u>805,706</u> | <u>107,640</u> |
| Net Change in Fund Balance | <u>\$ (790)</u> | <u>\$ (9,246)</u> | 66,733 | <u>\$ 75,979</u> |
| Fund Balance, Beginning of Year | | | <u>2,077,720</u> | |
| Fund Balance, End of Year | | | <u>\$ 2,144,453</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, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---------------------------------|-----------------|-----------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 496,181 | \$ 501,149 | \$ 527,220 | \$ 26,071 |
| Investment income, net | 7,700 | 7,700 | 1,482 | (6,218) |
| Total revenues | <u>503,881</u> | <u>508,849</u> | <u>528,702</u> | <u>19,853</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 950 | 950 | 612 | 338 |
| Public safety | 472,730 | 482,177 | 479,085 | 3,092 |
| Public works | 21,165 | 21,165 | 24,596 | (3,431) |
| Total expenditures | <u>494,845</u> | <u>504,292</u> | <u>504,293</u> | <u>(1)</u> |
| Net Change in Fund Balance | <u>\$ 9,036</u> | <u>\$ 4,557</u> | 24,409 | <u>\$ 19,852</u> |
| Fund Balance, Beginning of Year | | | <u>323,524</u> | |
| Fund Balance, End of Year | | | <u>\$ 347,933</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, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---------------------------------|--------------------|--------------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 52,170 | \$ 52,170 | \$ 52,159 | \$ (11) |
| Investment income, net | 3,060 | 3,060 | 798 | (2,262) |
| Total revenues | <u>55,230</u> | <u>55,230</u> | <u>52,957</u> | <u>(2,273)</u> |
| Expenditures | | | | |
| Current | | | | |
| General Government | 214 | 469 | 262 | 207 |
| Public safety | 92,649 | 118,328 | 93,436 | 24,892 |
| Total expenditures | <u>92,863</u> | <u>118,797</u> | <u>93,698</u> | <u>25,099</u> |
| Net Change in Fund Balance | <u>\$ (37,633)</u> | <u>\$ (63,567)</u> | (40,741) | <u>\$ (22,826)</u> |
| Fund Balance, Beginning of Year | | | <u>143,938</u> | |
| Fund Balance, End of Year | | | <u>\$ 103,197</u> | |

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, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---------------------------------|--------------------|--------------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 140,720 | \$ 140,720 | \$ 127,149 | \$ (13,571) |
| Investment income, net | 3,700 | 3,700 | 982 | (2,718) |
| Total revenues | <u>144,420</u> | <u>144,420</u> | <u>128,131</u> | <u>(16,289)</u> |
| Expenditures | | | | |
| Current | | | | |
| General Government | - | 319 | 356 | (37) |
| Public safety | 175,891 | 183,087 | 183,051 | 36 |
| Total expenditures | <u>175,891</u> | <u>183,406</u> | <u>183,407</u> | <u>(1)</u> |
| Net Change in Fund Balance | <u>\$ (31,471)</u> | <u>\$ (38,986)</u> | (55,276) | <u>\$ (16,290)</u> |
| Fund Balance, Beginning of Year | | | <u>186,403</u> | |
| Fund Balance, End of Year | | | <u>\$ 131,127</u> | |

City of Brea, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
National Opioid Settlement Special Revenue Fund
Year Ended June 30, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---------------------------------|----------------|-----------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Investment income, net | \$ - | \$ - | \$ 362 | \$ 362 |
| Other revenues | - | - | (1,000) | (1,000) |
| Total revenues | - | - | (638) | (638) |
| Expenditures | | | | |
| Current | | | | |
| General government | - | 107 | 107 | - |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ (107)</u> | (745) | <u>\$ (638)</u> |
| Fund Balance, Beginning of Year | | | <u>-</u> | |
| Fund Balance, End of Year | | | <u>\$ (745)</u> | |

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, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---------------------------------|----------------|-------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Other revenues | \$ - | \$ - | \$ 2,510,030 | \$ 2,510,030 |
| Expenditures | | | | |
| Current | | | | |
| Public works | - | - | 2,510,030 | (2,510,030) |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> |
| Fund Balance, Beginning of Year | | | - | |
| Fund Balance, End of Year | | | <u>\$ -</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, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---|-----------------------|-----------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Investment income, net | \$ 76,200 | \$ 76,200 | \$ 19,852 | \$ (56,348) |
| Expenditures | | | | |
| Current | | | | |
| General government | - | 7,027 | 7,027 | - |
| Excess (deficiency) of revenues over(under) expenditures | 76,200 | 69,173 | 12,825 | (56,348) |
| Other financing sources (uses) | | | | |
| Transfers in | 56,000 | 56,000 | 56,000 | - |
| Transfers out | (2,910,000) | (2,910,000) | - | 2,910,000 |
| Total other financing sources (uses) | (2,854,000) | (2,854,000) | 56,000 | 2,910,000 |
| Net Change in Fund Balance | <u>\$ (2,777,800)</u> | <u>\$ (2,784,827)</u> | 68,825 | <u>\$ 2,853,652</u> |
| Fund Balance, Beginning of Year | | | <u>3,670,142</u> | |
| Fund Balance, End of Year | | | <u>\$ 3,738,967</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, 2023

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---------------------------------|-----------------|-----------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Investment income, net | \$ 7,000 | \$ 7,000 | \$ 1,765 | \$ (5,235) |
| Expenditures | | | | |
| Current | | | | |
| General government | - | 648 | 648 | - |
| Net Change in Fund Balance | <u>\$ 7,000</u> | <u>\$ 6,352</u> | 1,117 | <u>\$ (5,235)</u> |
| Fund Balance, Beginning of Year | | | <u>338,928</u> | |
| Fund Balance, End of Year | | | <u>\$ 340,045</u> | |

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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, 2023

| | Urban Runoff | Sanitation | Information Technology External Support | Golf Course | Total |
|--|---------------------|---------------------|--|----------------------|----------------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and investments | \$ 672,270 | \$ 384,968 | \$ 353,250 | \$ 2,829,891 | \$ 4,240,379 |
| Accounts receivable, net | 58,788 | 546,851 | - | - | 605,639 |
| Due from other governments | - | 11,371 | 121,765 | - | 133,136 |
| Total current assets | <u>731,058</u> | <u>943,190</u> | <u>475,015</u> | <u>2,829,891</u> | <u>4,979,154</u> |
| Noncurrent | | | | | |
| Restricted cash and investments | 22,013 | - | 272,336 | - | 294,349 |
| Capital assets - nondepreciable | 105,175 | - | - | 8,705,425 | 8,810,600 |
| Capital assets - net of accumulated depreciation | 17,062 | - | - | 1,346,897 | 1,363,959 |
| Total noncurrent assets | <u>144,250</u> | <u>-</u> | <u>272,336</u> | <u>10,052,322</u> | <u>10,468,908</u> |
| Total assets | <u>875,308</u> | <u>943,190</u> | <u>747,351</u> | <u>12,882,213</u> | <u>15,448,062</u> |
| Deferred outflows of resources | | | | | |
| Deferred pension related items | 116,444 | 238,647 | 510,092 | 5,103 | 870,286 |
| Deferred OPEB related items | 9,652 | 36,234 | 127,298 | - | 173,184 |
| Total deferred outflows of resources | <u>126,096</u> | <u>274,881</u> | <u>637,390</u> | <u>5,103</u> | <u>1,043,470</u> |
| Total assets and deferred outflows of resources | <u>\$ 1,001,404</u> | <u>\$ 1,218,071</u> | <u>\$ 1,384,741</u> | <u>\$ 12,887,316</u> | <u>\$ 16,491,532</u> |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable | \$ 2,464 | \$ 367,577 | \$ 1,136 | \$ 547,222 | \$ 918,399 |
| Accrued liabilities | 4,140 | 7,508 | 16,348 | 118 | 28,114 |
| Compensated absences, due within one year | - | 8,483 | 51,221 | - | 59,704 |
| Total current liabilities | <u>6,604</u> | <u>383,568</u> | <u>68,705</u> | <u>547,340</u> | <u>1,006,217</u> |
| Noncurrent | | | | | |
| Compensated absences, due in more than one year | - | 2,828 | 17,074 | - | 19,902 |
| Net pension liability | 398,396 | 816,501 | 1,745,218 | 17,461 | 2,977,576 |
| Total OPEB liability | 58,370 | 256,571 | 1,136,899 | - | 1,451,840 |
| Total noncurrent liabilities | <u>456,766</u> | <u>1,075,900</u> | <u>2,899,191</u> | <u>17,461</u> | <u>4,449,318</u> |
| Total liabilities | <u>463,370</u> | <u>1,459,468</u> | <u>2,967,896</u> | <u>564,801</u> | <u>5,455,535</u> |
| Deferred inflows of resources | | | | | |
| Deferred pension related items | 9,961 | 20,415 | 43,635 | 437 | 74,448 |
| Deferred OPEB related items | 15,688 | 51,287 | 167,225 | - | 234,200 |
| Total deferred inflows of resources | <u>25,649</u> | <u>71,702</u> | <u>210,860</u> | <u>437</u> | <u>308,648</u> |
| Net position (deficit) | | | | | |
| Net investment in capital assets | 122,237 | - | - | 10,052,322 | 10,174,559 |
| Unrestricted | 390,148 | (313,099) | (1,794,015) | 2,269,756 | 552,790 |
| Total net position (deficit) | <u>\$ 512,385</u> | <u>\$ (313,099)</u> | <u>\$ (1,794,015)</u> | <u>\$ 12,322,078</u> | <u>\$ 10,727,349</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 1,001,404</u> | <u>\$ 1,218,071</u> | <u>\$ 1,384,741</u> | <u>\$ 12,887,316</u> | <u>\$ 16,491,532</u> |

City of Brea, California
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-Major Enterprise Funds
Year Ended June 30, 2023

| | Urban Runoff | Sanitation | Information Technology External Support | Golf Course | Total |
|---|-------------------|---------------------|--|----------------------|----------------------|
| Operating revenues | | | | | |
| Charges for services | \$ 489,950 | \$ 3,308,170 | \$ 1,006,864 | \$ 4,366,475 | \$ 9,171,459 |
| Fines and forfeitures | 5,370 | 34,140 | - | - | 39,510 |
| Other revenues | - | 25,000 | - | 98 | 25,098 |
| Total operating revenues | 495,320 | 3,367,310 | 1,006,864 | 4,366,573 | 9,236,067 |
| Operating expenses | | | | | |
| Personnel services | 391,996 | 660,589 | 794,418 | 14,972 | 1,861,975 |
| Maintenance and operation | 217,831 | 3,226,916 | 167,242 | 3,483,358 | 7,095,347 |
| Depreciation | 438 | - | - | 80,914 | 81,352 |
| Total operating expenses | 610,265 | 3,887,505 | 961,660 | 3,579,244 | 9,038,674 |
| Operating income (loss) | (114,945) | (520,195) | 45,204 | 787,329 | 197,393 |
| Nonoperating revenues (expenses) | | | | | |
| Intergovernmental revenues | - | 11,288 | - | - | 11,288 |
| Interest revenues (expense) | 5,517 | 1,392 | 26,012 | 9,100 | 42,021 |
| Total nonoperating revenues (expenses) | 5,517 | 12,680 | 26,012 | 9,100 | 53,309 |
| Income (loss) before contributions and transfers | (109,428) | (507,515) | 71,216 | 796,429 | 250,702 |
| Contributions and transfers | | | | | |
| Transfers in | - | 152,688 | - | 49,245 | 201,933 |
| Change in Net Position | (109,428) | (354,827) | 71,216 | 845,674 | 452,635 |
| Net Position (Deficit), Beginning of Year | 621,813 | 41,728 | (1,865,231) | 11,476,404 | 10,274,714 |
| Restatement of Net Position | - | - | - | - | - |
| Net Position (Deficit) at Beginning of Year | 621,813 | 41,728 | (1,865,231) | 11,476,404 | 10,274,714 |
| Net Position (Deficit), End of Year | \$ 512,385 | \$ (313,099) | \$ (1,794,015) | \$ 12,322,078 | \$ 10,727,349 |

City of Brea, California
Combining Statement of Cash Flows
Non-Major Enterprise Funds
Year Ended June 30, 2023

| | Urban Runoff | Sanitation | Information Technology External Support | Golf Course | Total |
|--|-------------------|---------------------|--|---------------------|---------------------|
| Operating Activities | | | | | |
| Cash received from customers and users | \$ 514,131 | \$ 3,527,010 | \$ 958,196 | \$ 4,366,573 | \$ 9,365,910 |
| Cash payments to suppliers for goods and services | (219,628) | (3,091,912) | (163,300) | (3,766,472) | (7,241,312) |
| Cash payments to employees for services | (265,384) | (616,099) | (798,944) | (19,571) | (1,699,998) |
| Net Cash Provided by (used for) Operating Activities | 29,119 | (181,001) | (4,048) | 580,530 | 424,600 |
| Capital related financing activities | | | | | |
| Acquisition of capital assets | (18,064) | - | - | (90,379) | (108,443) |
| Net Cash Provided by (used for) Noncapital Financing Activities | (18,064) | - | - | (90,379) | (108,443) |
| Non-Capital Financing Activities | | | | | |
| Cash transfers in | - | 152,688 | - | 49,245 | 201,933 |
| Intergovernmental revenues | - | 11,288 | - | - | 11,288 |
| Net Cash Provided by (used for) Noncapital Financing Activities | - | 163,976 | - | 49,245 | 213,221 |
| Investing activities | | | | | |
| Interest received | 5,517 | 1,392 | 26,012 | 9,100 | 42,021 |
| Net Cash Provided by (used for) Investing Activities | 5,517 | 1,392 | 26,012 | 9,100 | 42,021 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 16,572 | (15,633) | 21,964 | 548,496 | 571,399 |
| Cash and Cash Equivalents at Beginning of Year | 677,711 | 400,601 | 603,622 | 2,281,395 | 3,963,329 |
| Cash and Cash Equivalents at End of Year | <u>\$ 694,283</u> | <u>\$ 384,968</u> | <u>\$ 625,586</u> | <u>\$ 2,829,891</u> | <u>\$ 4,534,728</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities | | | | | |
| Operating income (loss) | \$ (114,945) | \$ (520,195) | \$ 45,204 | \$ 787,329 | \$ 197,393 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | | | | | |
| Depreciation/amortization | 438 | - | - | 80,914 | 81,352 |
| (Increase) decrease in accounts receivable | 18,811 | 159,700 | (48,668) | - | 129,843 |
| (Decrease) increase in accounts payable | (4,190) | 133,882 | (264) | (283,062) | (153,634) |
| (Decrease) in accrued liabilities | 2,393 | 1,122 | 4,206 | (52) | 7,669 |
| (Decrease) increase in compensated absences | - | (3,096) | 3,306 | - | 210 |
| Net changes in pension related items | 128,172 | 51,324 | 1,868 | (4,599) | 176,765 |
| Net changes in OPEB related items | (1,560) | (3,738) | (9,700) | - | (14,998) |
| Total adjustments | 144,064 | 339,194 | (49,252) | (206,799) | 227,207 |
| Net cash provided by (used for) operating activities | \$ 29,119 | \$ (181,001) | \$ (4,048) | \$ 580,530 | \$ 424,600 |

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, 2023

| | Risk Management | Information Technology | Vehicle Replacement | Building Occupancy | Totals |
|--|---------------------|---------------------------|------------------------|-----------------------|----------------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and investments | \$ 8,684,351 | \$ 1,306,675 | \$ 4,149,330 | \$ 1,377,871 | \$ 15,518,227 |
| Receivables: | | | | | |
| Accounts | 68,037 | - | 22,913 | - | 90,950 |
| Total current assets | 8,752,388 | 1,306,675 | 4,172,243 | 1,377,871 | 15,609,177 |
| Noncurrent assets | | | | | |
| Capital assets, net of accumulated depreciation | - | 576,660 | 3,825,057 | 938,208 | 5,339,925 |
| Total noncurrent assets | - | 576,660 | 3,825,057 | 938,208 | 5,339,925 |
| Total assets | 8,752,388 | 1,883,335 | 7,997,300 | 2,316,079 | 20,949,102 |
| Deferred Outflows of Resources | | | | | |
| Deferred pension related items | 155,752 | 352,815 | 1,000,510 | 545,653 | 2,054,730 |
| Deferred OPEB related items | 22,560 | 181,169 | 56,625 | 72,705 | 333,059 |
| Total deferred outflows of resources | 178,312 | 533,984 | 1,057,135 | 618,358 | 2,387,789 |
| Total assets and deferred outflows of resources | \$ 8,930,700 | \$ 2,417,319 | \$ 9,054,435 | \$ 2,934,437 | \$ 23,336,891 |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable | \$ 13,341 | \$ 61,088 | \$ 88,087 | \$ 160,488 | \$ 323,004 |
| Accrued liabilities | 9,969 | 32,987 | 14,190 | 19,242 | 76,388 |
| Compensated absences, due within one year | - | - | 29,699 | 47,641 | 77,340 |
| Claims and judgments, due within one year | 1,940,722 | - | - | - | 1,940,722 |
| Subscription IT liability, due within one year | - | 15,785 | - | - | 15,785 |
| Total current liabilities | 1,964,032 | 109,860 | 131,976 | 227,371 | 2,433,239 |
| Non-current liabilities | | | | | |
| Compensated absences, due in more than one year | - | - | 9,900 | 15,880 | 25,780 |
| Claims and judgments, due in more than one year | 3,767,283 | - | - | - | 3,767,283 |
| Net pension liability | 532,887 | 1,207,113 | 3,423,127 | 1,866,887 | 7,030,014 |
| Total OPEB liability | 125,089 | 1,105,791 | 351,432 | 427,268 | 2,009,580 |
| Subscription IT liability | - | 16,226 | - | - | 16,226 |
| Total non-current liabilities | 4,425,259 | 2,329,130 | 3,784,459 | 2,310,035 | 12,848,883 |
| Total liabilities | 6,389,291 | 2,438,990 | 3,916,435 | 2,537,406 | 15,282,122 |
| Deferred Inflows of Resources | | | | | |
| Deferred pension related items | 13,324 | 30,181 | 85,587 | 46,677 | 175,769 |
| Deferred OPEB related items | 25,162 | 177,807 | 84,974 | 113,494 | 401,437 |
| Total deferred inflows of resources | 38,486 | 207,988 | 170,561 | 160,171 | 577,206 |
| Net Position | | | | | |
| Net investment in capital assets | - | 544,649 | 3,825,057 | 938,208 | 5,307,914 |
| Unrestricted | 2,502,923 | (774,308) | 1,142,382 | (701,348) | 2,169,649 |
| Total net position | \$ 2,502,923 | \$ (229,659) | \$ 4,967,439 | \$ 236,860 | \$ 7,477,563 |
| Total liabilities, deferred inflows of resources and net position | \$ 8,930,700 | \$ 2,417,319 | \$ 9,054,435 | \$ 2,934,437 | \$ 23,336,891 |

City of Brea, California
Combining Statement of Revenues, Expenditures and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2023

| | Risk Management | Information Technology | Vehicle Maintenance | Building Occupancy | Total |
|---|---------------------|---------------------------|------------------------|-----------------------|---------------------|
| Operating Revenues | | | | | |
| Charge for service | \$ 4,625,097 | \$ 2,654,518 | \$ 2,995,874 | \$ 2,551,331 | \$ 12,826,820 |
| Other revenues | 21,063 | - | 5,622 | 135,753 | 162,438 |
| Total operating revenues | <u>4,646,160</u> | <u>2,654,518</u> | <u>3,001,496</u> | <u>2,687,084</u> | <u>12,989,258</u> |
| Operating Expenses | | | | | |
| Personnel services | 215,831 | 1,475,388 | 321,497 | 969,217 | 2,981,933 |
| Maintenance and operation | 1,546,343 | 986,100 | 4,211,833 | 1,929,432 | 8,673,708 |
| Claims and judgements | 2,278,418 | - | - | - | 2,278,418 |
| Depreciation | - | 148,677 | 613,900 | 135,486 | 898,063 |
| Total operating expenses | <u>4,040,592</u> | <u>2,610,165</u> | <u>5,147,230</u> | <u>3,034,135</u> | <u>14,832,122</u> |
| Operating income (loss) | <u>605,568</u> | <u>44,353</u> | <u>(2,145,734)</u> | <u>(347,051)</u> | <u>(1,842,864)</u> |
| Nonoperating Revenues (Expenses) | | | | | |
| Interest revenue | 37,607 | 5,900 | 13,745 | 8,376 | 65,628 |
| Gain (loss) on disposal of capital assets | - | - | (3,855) | - | (3,855) |
| Total nonoperating revenues (expenses) | <u>37,607</u> | <u>5,900</u> | <u>9,890</u> | <u>8,376</u> | <u>61,773</u> |
| Income (loss) before transfers | <u>643,175</u> | <u>50,253</u> | <u>(2,135,844)</u> | <u>(338,675)</u> | <u>(1,781,091)</u> |
| Transfers: | | | | | |
| Transfers in | - | - | 4,237,745 | - | 4,237,745 |
| Total transfers | <u>-</u> | <u>-</u> | <u>4,237,745</u> | <u>-</u> | <u>4,237,745</u> |
| Change in Net Position | 643,175 | 50,253 | 2,101,901 | (338,675) | 2,456,654 |
| Net Position, Beginning of Year | <u>1,859,748</u> | <u>(279,912)</u> | <u>2,865,538</u> | <u>575,535</u> | <u>5,020,909</u> |
| Net Position, End of Year | <u>\$ 2,502,923</u> | <u>\$ (229,659)</u> | <u>\$ 4,967,439</u> | <u>\$ 236,860</u> | <u>\$ 7,477,563</u> |

City of Brea, California
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2023

| | Risk Management | Information Technology | Vehicle Maintenance | Building Occupancy | Total |
|---|---------------------|---------------------------|------------------------|-----------------------|---------------------|
| Operating Activities | | | | | |
| Cash received from users and departments | \$ 4,673,020 | \$ 2,654,518 | \$ 3,010,944 | \$ 2,715,435 | \$ 13,053,917 |
| Cash payments to suppliers for goods and services | (1,506,990) | (1,036,016) | (2,891,417) | (1,522,595) | (6,957,018) |
| Cash payments to employees for services | (2,239,353) | (1,451,448) | (1,987,527) | (1,341,716) | (7,020,044) |
| Net Cash Provided by (used for) Operating Activities | <u>926,677</u> | <u>167,054</u> | <u>(1,868,000)</u> | <u>(148,876)</u> | <u>(923,145)</u> |
| Non-Capital Financing Activities | | | | | |
| Intergovernmental revenues | - | - | 4,237,745 | - | 4,237,745 |
| Net Cash Provided by (used for) Noncapital Financing Activities | <u>-</u> | <u>-</u> | <u>4,237,745</u> | <u>-</u> | <u>4,237,745</u> |
| Capital and Related Financing Activities: | | | | | |
| Acquisition and construction of capital assets | - | (119,482) | (1,020,403) | (2,469) | (1,142,354) |
| Principal and interest paid on long-term debt | - | (16,680) | - | - | (16,680) |
| Net Cash Provided by (used for) Capital and Related Financing Activities | <u>-</u> | <u>(136,162)</u> | <u>(1,020,403)</u> | <u>(2,469)</u> | <u>(1,159,034)</u> |
| Investing Activities: | | | | | |
| Interest received | 37,607 | 5,900 | 13,745 | 8,376 | 65,628 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 964,284 | 36,792 | 1,363,087 | (142,969) | 2,221,194 |
| Cash and Cash Equivalents at Beginning of Year | 7,720,067 | 1,269,883 | 2,786,243 | 1,520,840 | 13,297,033 |
| Cash and Cash Equivalents at End of Year | <u>\$ 8,684,351</u> | <u>\$ 1,306,675</u> | <u>\$ 4,149,330</u> | <u>\$ 1,377,871</u> | <u>15,518,227</u> |
| Reconciliation of operating income to net cash provided by (used for) operating activities | | | | | |
| Operating income (loss) | \$ 605,568 | \$ 44,353 | \$ (2,145,734) | \$ (347,051) | \$ (1,842,864) |
| Adjustments to reconcile operating income (loss) net cash provided by (used for) operating activities: | | | | | |
| Depreciation | - | 148,677 | 613,900 | 135,486 | 898,063 |
| (Increase) decrease in accounts receivable | 26,860 | - | 9,448 | - | 36,308 |
| (Increase) decrease in due from other governments | - | - | - | - | - |
| Increase (decrease) in accounts payable | (35,576) | 45,039 | (34,217) | 44,221 | 19,467 |
| Increase (decrease) in accrued liabilities | 1,883 | 8,371 | 4,542 | 2,774 | 17,570 |
| Increase (decrease) in claims and judgements | 420,913 | - | - | - | 420,913 |
| Increase (decrease) in compensated absences | - | - | (539) | (15,870) | (16,409) |
| Net changes in pension related items | (90,453) | (59,816) | (307,387) | 42,970 | (414,686) |
| Net changes in OPEB related items | (2,518) | (19,570) | (8,013) | (11,406) | (41,507) |
| Total adjustments | <u>321,109</u> | <u>122,701</u> | <u>277,734</u> | <u>198,175</u> | <u>919,719</u> |
| Net cash provided by (used for) operating activities | <u>\$ 926,677</u> | <u>\$ 167,054</u> | <u>\$ (1,868,000)</u> | <u>\$ (148,876)</u> | <u>\$ (923,145)</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 collections and payments related to a joint venture agreement with several other public agencies of Orange County. The City acts as a treasurer for the ILJAO.

Orange County City Managers Association (OCCMA) Fund

This fund is used to account for the collections and payments related to the OCCMA. The City acts as the treasurer for the OCCMA.

North Orange County Public Safety Collaborative (NOC) Fund

This fund is used to account for the state funds related to NOC. The City acts as the fiduciary for the NOC.

City of Brea, California
Combining Balance Sheet
Custodial Funds
June 30, 2023

| | Hillside Open Space Education Coalition | Downtown | Olinda Heights | Brea Plaza |
|--|--|-----------------|-------------------|---------------------|
| Assets | | | | |
| Cash and investments | \$ 564,125 | \$ 2,256 | \$ 396,994 | \$ 447,678 |
| Receivables | | | | |
| Taxes | - | - | 6,040 | - |
| Accounts | - | - | - | - |
| Due from other agencies | | | | |
| Prepaid items | - | - | - | - |
| Restricted assets | | | | |
| Cash and investments with fiscal agents | - | - | 43 | 660,503 |
| Capital assets | | | | |
| Capital assets, net of accumulated depreciation | - | - | - | - |
| Total assets | <u>564,125</u> | <u>2,256</u> | <u>403,077</u> | <u>1,108,181</u> |
| Liabilities | | | | |
| Accounts payable | 30 | - | - | - |
| Accrued liabilities | 544,586 | - | 945 | 402 |
| Total liabilities | <u>544,616</u> | <u>-</u> | <u>945</u> | <u>402</u> |
| Fiduciary Net Position | | | | |
| Restricted for individuals, organizations, and other governments | <u>\$ 19,509</u> | <u>\$ 2,256</u> | <u>\$ 402,132</u> | <u>\$ 1,107,779</u> |

(continued)

City of Brea, California
Combining Balance Sheet
Custodial Funds
June 30, 2023

| | NOC | ILJAOC | OCCMA | Total |
|--|---------------------|---------------------|------------------|----------------------|
| Assets | | | | |
| Cash and investments | \$ 8,001,743 | \$ 5,006,490 | \$ 49,552 | \$ 14,468,838 |
| Receivables | | | | |
| Taxes | - | - | - | 6,040 |
| Accounts | 29,834 | 40,225 | - | 70,059 |
| Due from other agencies | | - | 100 | 100 |
| Prepaid items | - | 9,465 | - | 9,465 |
| Restricted assets | | | | |
| Cash and investments with fiscal agents | - | - | - | 660,546 |
| Capital assets | | | | |
| Capital assets, net of accumulated depreciation | - | 2,282 | - | 2,282 |
| | <u>8,031,577</u> | <u>5,058,462</u> | <u>49,652</u> | <u>15,217,330</u> |
| Liabilities | | | | |
| Accounts payable | 596 | 380,824 | 6,406 | 387,856 |
| Accrued liabilities | 1,445 | - | - | 547,378 |
| | <u>2,041</u> | <u>380,824</u> | <u>6,406</u> | <u>935,234</u> |
| Fiduciary Net Position | | | | |
| Restricted for individuals, organizations, and other governments | <u>\$ 8,029,536</u> | <u>\$ 4,677,638</u> | <u>\$ 43,246</u> | <u>\$ 14,282,096</u> |

City of Brea, California
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
Year Ended June 30, 2023

| | Hillside Open Space Education Coalition | Downtown | Olinda Heights | Brea Plaza |
|--|--|-------------|-------------------|----------------|
| Additions | | | | |
| Special assessment | \$ - | \$ - | \$ 411,831 | \$ 582,230 |
| Member contributions | - | - | 240 | - |
| Interest income | 2,928 | (21) | - | (8,056) |
| Miscellaneous | - | 8 | - | - |
| Total additions | 2,928 | (13) | 412,071 | 574,174 |
| Deductions | | | | |
| Administrative | 1,222 | - | 51,099 | 32,238 |
| Principal payments | - | - | 250,000 | 235,000 |
| Interest expense | - | - | 94,250 | 288,169 |
| Capital expenses | - | - | - | - |
| Total deductions | 1,222 | - | 395,349 | 555,407 |
| Changes in fiduciary net position | 1,706 | (13) | 16,722 | 18,767 |
| Net position | | | | |
| Beginning fiduciary net position | 17,803 | 2,269 | 385,410 | 1,089,012 |
| Ending fiduciary net position | \$ 19,509 | \$ 2,256 | \$ 402,132 | \$ 1,107,779 |

(continued)

City of Brea, California
Combining Statement of Changes in Fiduciary Net Position (Continued)
Custodial Funds
Year Ended June 30, 2023

| | NOC | ILJAO | OCCMA | Total |
|--|---------------------|---------------------|------------------|----------------------|
| Additions | | | | |
| Special assessment | \$ - | \$ - | \$ - | \$ 994,061 |
| Member contributions | 8,058,122 | 1,342,756 | 33,066 | 9,434,184 |
| Interest income | (24,855) | 102,387 | 375 | 72,758 |
| Miscellaneous | - | 58,331 | 42,763 | 101,102 |
| Total additions | 8,033,267 | 1,503,474 | 76,204 | 10,602,105 |
| Deductions | | | | |
| Administrative | 2,040 | 1,454,924 | 90,082 | 1,631,605 |
| Principal payments | - | - | - | 485,000 |
| Interest expense | 1,691 | - | - | 384,110 |
| Capital expenses | - | 22,383 | - | 22,383 |
| Total deductions | 3,731 | 1,477,307 | 90,082 | 2,523,098 |
| Changes in fiduciary net position | 8,029,536 | 26,167 | (13,878) | 8,079,007 |
| Net position | | | | |
| Beginning fiduciary net position | - | 4,651,471 | 57,124 | 6,203,089 |
| Ending fiduciary net position | \$ 8,029,536 | \$ 4,677,638 | \$ 43,246 | \$ 14,282,096 |

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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 comprehensive financial reports for the relevant year.*

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CITY OF BREA

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(Accrual basis of accounting)

| | Fiscal Year 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 | Fiscal Year 2021-22 | Fiscal Year 2022-23 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 164,750,324 | \$ 158,976,819 | \$ 165,493,107 | \$ 170,548,467 | \$ 204,322,724 | \$ 202,990,193 | \$ 215,840,370 | \$ 207,378,698 | \$ 209,037,834 | \$ 208,081,095 |
| Restricted | 48,418,876 | 56,883,753 | 54,629,374 | 52,867,078 | 52,729,420 | 44,544,588 | 59,862,606 | 54,214,155 | 45,160,707 | 45,252,026 |
| Unrestricted | 30,997,188 | (64,027,907) | (58,217,717) | (57,154,376) | (76,701,929) | (69,878,160) | (91,248,810) | (79,365,186) | (23,291,146) | (16,320,573) |
| Total governmental activities net position | \$ 244,166,388 | \$ 151,832,665 | \$ 161,904,764 | \$ 166,261,169 | \$ 180,350,215 | \$ 177,656,621 | \$ 184,454,166 | \$ 182,227,667 | \$ 230,907,395 | \$ 237,012,548 |
| Business-type Activities | | | | | | | | | | |
| Net investment of capital assets | \$ 31,396,904 | \$ 33,367,826 | \$ 33,174,074 | \$ 42,091,695 | \$ 58,347,144 | \$ 55,408,764 | \$ 61,114,088 | \$ 27,842,597 | \$ 89,469,528 | \$ 96,873,414 |
| Restricted | 5,213,677 | 6,203,193 | 6,165,829 | 5,641,012 | 5,657,518 | 5,843,171 | 2,132,985 | 2,285,353 | 2,179,014 | 2,213,477 |
| Unrestricted | 19,603,041 | 8,603,346 | 12,637,920 | 14,392,925 | 15,322,371 | 26,097,664 | 29,126,601 | 77,820,553 | 29,138,242 | 24,260,951 |
| Total business-type activities net position | \$ 56,213,622 | \$ 48,174,365 | \$ 51,977,823 | \$ 62,125,632 | \$ 79,327,033 | \$ 87,349,599 | \$ 92,373,674 | \$ 107,948,503 | \$ 120,786,784 | \$ 123,347,842 |
| Primary Government | | | | | | | | | | |
| Net investment of capital assets | \$ 196,147,228 | \$ 192,344,645 | \$ 198,667,181 | \$ 212,640,162 | \$ 262,669,868 | \$ 258,398,957 | \$ 276,954,458 | \$ 235,221,295 | \$ 298,507,362 | \$ 304,954,509 |
| Restricted | 53,632,553 | 63,086,946 | 60,795,203 | 58,508,090 | 58,386,938 | 50,387,759 | 61,995,591 | 56,499,508 | 47,339,721 | 47,465,503 |
| Unrestricted | 50,600,229 | (55,424,561) | (45,579,797) | (42,761,451) | (61,379,558) | (43,780,496) | (62,122,209) | (1,544,633) | 5,847,096 | 7,940,378 |
| Total primary government net position | \$ 300,380,010 | \$ 200,007,030 | \$ 213,882,587 | \$ 228,386,801 | \$ 259,677,248 | \$ 265,006,220 | \$ 276,827,840 | \$ 290,176,170 | \$ 351,694,179 | \$ 360,360,390 |

CITY OF BRE A

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

| | 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 | Fiscal Year 2021-22 | Fiscal Year 2022-23 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Expenses: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 7,352,190 | \$ 7,569,787 | \$ 7,297,652 | \$ 7,758,276 | \$ 6,679,825 | \$ 7,546,630 | \$ 8,738,602 | \$ 7,987,050 | \$ 4,209,806 | \$ 9,466,893 |
| Public safety | 31,408,789 | 32,409,727 | 31,372,155 | 33,938,469 | 40,137,072 | 41,777,845 | 45,285,893 | 42,671,837 | 2,479,739 | 45,981,340 |
| Community Development | 5,201,569 | 2,836,727 | 3,010,978 | 3,403,082 | 3,784,020 | 3,410,346 | 3,905,234 | 3,368,772 | 707,641 | 2,888,919 |
| Community services | 7,023,682 | 7,441,012 | 7,267,829 | 7,598,666 | 8,054,662 | 8,442,748 | 9,077,264 | 7,202,383 | 5,187,919 | 10,309,313 |
| Public Works | 10,092,864 | 12,367,078 | 13,544,061 | 16,306,542 | 18,324,571 | 16,207,579 | 4,222,899 | 14,390,950 | 9,072,608 | 16,514,002 |
| Interest on long-term debt | 458,021 | 435,772 | 435,207 | 414,974 | 380,159 | 78,066 | 349,806 | 161,293 | 282,769 | 27,156 |
| Total governmental activities expenses | 61,537,115 | 63,060,103 | 62,927,882 | 69,420,009 | 77,360,309 | 77,463,214 | 71,579,698 | 75,782,285 | 21,940,482 | 85,187,623 |
| Business-type activities: | | | | | | | | | | |
| Urban run-off | 310,717 | 388,493 | 415,328 | 376,623 | 396,030 | 422,699 | 356,600 | 388,559 | 247,623 | 620,593 |
| Water utility | 16,048,442 | 15,752,822 | 14,085,433 | 14,882,443 | 17,306,036 | 18,136,961 | 17,197,843 | 19,767,041 | 16,082,429 | 16,847,646 |
| Sewer utility | 1,525,820 | 1,575,738 | 1,590,905 | 1,630,319 | 1,896,662 | 2,623,606 | 2,086,307 | 1,997,061 | 547,069 | 2,645,816 |
| Sanitation | 2,849,515 | 2,910,840 | 2,937,684 | 3,045,308 | 3,283,613 | 3,450,228 | 3,638,796 | 3,667,210 | 1,603,331 | 4,008,519 |
| Information Technology External Support | 1,228,919 | 1,240,462 | 1,312,899 | 1,724,116 | 1,790,154 | 1,656,765 | 1,599,359 | 1,024,382 | (279,366) | 952,912 |
| Golf Course | - | - | - | - | - | - | - | 2,884,293 | 3,925,036 | 3,579,244 |
| Total business-type activities expenses | 21,963,413 | 21,868,355 | 20,342,249 | 21,658,809 | 24,672,495 | 26,290,259 | 24,878,905 | 29,728,546 | 22,126,122 | 28,654,730 |
| Total primary government expenses | \$ 83,500,528 | \$ 84,928,458 | \$ 83,270,131 | \$ 91,078,818 | \$ 102,032,804 | \$ 103,753,473 | \$ 96,458,603 | \$ 105,510,831 | \$ 44,066,604 | \$ 113,842,353 |
| Program Revenues: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 1,631,098 | \$ 1,663,401 | \$ 1,765,913 | \$ 1,605,816 | \$ 1,403,754 | \$ 1,137,478 | \$ 2,117,359 | \$ 1,296,032 | \$ 1,235,741 | \$ 514,792 |
| Public safety | 1,533,213 | 1,376,553 | 1,282,646 | 1,297,025 | 1,689,176 | 1,392,205 | 996,068 | 777,596 | 846,870 | 729,739 |
| Community Development | 1,092,041 | 998,141 | 1,577,964 | 2,151,955 | 4,619,615 | 1,048,258 | 1,530,959 | 1,058,408 | 756,751 | 595,142 |
| Community services | 4,672,523 | 5,640,412 | 3,021,505 | 2,818,718 | 3,023,144 | 3,117,696 | 1,353,397 | 1,088,410 | 1,668,359 | 2,103,722 |
| Public Works | 1,909,409 | 1,706,630 | 1,257,168 | 1,610,889 | 506,348 | 237,689 | 1,684,711 | 197,022 | 3,088,349 | 2,742,326 |
| Operating contributions and grants | 3,502,773 | 3,238,366 | 3,399,311 | 2,632,718 | 3,964,816 | 5,210,335 | 6,814,195 | 12,230,204 | 5,445,862 | 10,787,980 |
| Capital contributions and grants | 1,187,623 | 3,908,617 | 2,336,984 | 5,668,485 | 43,192,575 | 4,959,143 | 6,319,418 | 3,239,077 | 2,792,309 | 1,814,783 |
| Total governmental activities program revenues | 15,528,680 | 18,532,120 | 14,641,491 | 17,785,606 | 58,399,428 | 17,102,804 | 20,816,107 | 19,886,749 | 15,834,241 | 19,288,484 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Urban run-off | 380,256 | 384,523 | 402,205 | 412,086 | 418,426 | 444,857 | 455,330 | 457,378 | 476,329 | 495,320 |
| Water utility | 18,813,373 | 18,242,242 | 16,520,362 | 20,098,490 | 22,885,107 | 21,870,826 | 21,483,133 | 23,635,320 | 23,134,358 | 20,359,095 |
| Sewer utility | 2,136,760 | 2,141,422 | 2,236,813 | 2,322,756 | 2,239,774 | 2,593,670 | 2,496,874 | 2,496,871 | 2,608,205 | 3,029,057 |
| Sanitation | 3,317,183 | 3,431,013 | 3,531,648 | 3,584,153 | 3,727,950 | 2,969,334 | 3,198,072 | 3,349,980 | 3,418,855 | 3,367,310 |
| Information Technology External Support | 1,472,730 | 1,532,097 | 1,807,305 | 1,959,634 | 1,695,050 | 1,380,895 | 1,000,093 | 1,051,148 | 880,372 | 1,006,864 |
| Golf Course | - | - | - | - | - | - | - | 4,311,445 | 4,386,528 | 4,366,573 |
| Operating contributions and grants | 11,371 | - | 11,371 | 525,165 | 501,959 | 501,990 | 11,371 | 22,888 | 127,648 | 11,288 |
| Capital contributions and grants | 1,209,000 | 1,521,000 | - | - | 14,285,715 | 2,705,537 | - | - | - | - |
| Total business-type activities program revenues | 27,340,673 | 27,252,297 | 24,509,704 | 28,902,284 | 45,753,981 | 32,467,109 | 28,644,873 | 35,325,030 | 35,032,295 | 32,635,507 |
| Primary government program revenues | \$ 42,869,353 | \$ 45,784,417 | \$ 39,151,195 | \$ 46,687,890 | \$ 104,153,409 | \$ 49,569,913 | \$ 49,460,980 | \$ 55,211,779 | \$ 50,866,536 | \$ 51,923,991 |

Changes in Net Position Cont'd
CITY OF BREA

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

| | 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 | Fiscal Year 2021-22 | Fiscal Year 2022-23 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Net (Expense)/Revenue: | | | | | | | | | | |
| Governmental activities | \$ (46,008,435) | \$ (44,527,983) | \$ (48,286,391) | \$ (51,634,403) | \$ (18,960,881) | \$ (60,360,410) | \$ (50,763,591) | \$ (55,895,536) | \$ (6,106,241) | \$ (65,899,139) |
| Business-type activities | 5,377,260 | 5,383,942 | 4,167,455 | 7,243,475 | 21,081,486 | 6,176,850 | 3,765,968 | 5,596,484 | 12,906,173 | 3,980,777 |
| Total primary government net expense | \$ (40,631,175) | \$ (39,144,041) | \$ (44,118,936) | \$ (44,390,928) | \$ 2,120,605 | \$ (54,183,560) | \$ (46,997,623) | \$ (50,299,052) | \$ 6,799,932 | \$ (61,918,362) |
| General Revenues and Other Changes in Net Position: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 13,314,758 | \$ 14,627,073 | \$ 16,656,050 | \$ 17,887,984 | \$ 19,357,620 | \$ 20,667,280 | \$ 22,029,810 | \$ 24,060,158 | \$ 24,423,764 | \$ 27,008,433 |
| Transient occupancy taxes | 1,513,160 | 1,591,839 | 1,605,590 | 1,716,180 | 1,786,589 | 1,805,609 | 1,352,527 | 1,050,303 | 1,777,438 | 2,230,007 |
| Sales taxes | 20,657,918 | 20,572,655 | 21,611,873 | 21,200,598 | 19,235,559 | 23,319,589 | 21,495,924 | 21,479,210 | 24,098,002 | 28,812,030 |
| Franchise taxes | 1,682,274 | 1,625,872 | 1,589,950 | 1,680,293 | 1,594,432 | 2,550,523 | 2,485,834 | 2,372,747 | 2,621,096 | 2,833,149 |
| Business licenses taxes | 1,054,054 | 1,035,220 | 1,101,915 | 1,078,509 | 1,107,537 | 1,110,975 | 1,036,931 | 994,727 | 1,090,315 | 1,145,905 |
| Other taxes | 860,520 | 977,074 | 797,475 | 392,075 | 579,840 | 484,664 | 430,231 | 441,622 | 651,010 | 329,456 |
| Motor vehicle in lieu | 68,846 | 69,978 | 72,551 | 75,398 | 79,899 | 79,772 | 78,478 | 107,321 | 110,178 | 110,277 |
| Use of money and property | 802,974 | 686,757 | 1,602,076 | 1,110,886 | 1,482,370 | 3,840,130 | 4,087,504 | 3,467,362 | (3,486,383) | 3,911,184 |
| Gain on sale of assets | 76,461 | 31,396 | 83,139 | (1,731) | 23,639 | 108,661 | 68,909 | 168,580 | 26,322 | 274,083 |
| Other | 1,812,159 | 1,713,163 | 3,891,552 | 9,725,201 | 3,686,032 | 4,215,913 | 4,242,750 | 4,252,757 | 4,554,597 | 3,624,522 |
| Extraordinary gain on dissolution of Redevelopment Agency ¹ | - | (944,392) | - | - | - | - | - | - | - | - |
| Transfers | 892,239 | 1,525,979 | 1,590,527 | 1,125,415 | 450,000 | (516,300) | 252,238 | (4,639) | (745,061) | 1,725,246 |
| Total governmental activities | 42,735,363 | 43,512,614 | 50,602,698 | 55,990,808 | 49,383,517 | 57,666,816 | 57,561,136 | 58,390,148 | 55,121,278 | 72,004,292 |
| Business-type activities: | | | | | | | | | | |
| Use of money and property | 125,999 | 151,348 | 303,514 | (23,077) | (25,014) | 1,240,123 | 1,491,758 | 120,888 | (941,040) | 236,871 |
| Gain on sale of assets | - | - | - | - | - | - | 18,587 | 67,962 | 45,416 | 68,656 |
| Other | 1,362,633 | 580,062 | 401,566 | 250,269 | 44,024 | 89,293 | - | 82,890 | 82,671 | - |
| Transfers | (892,239) | (1,525,979) | (1,590,527) | (1,125,415) | (450,000) | 516,300 | (252,238) | 4,639 | 745,061 | (1,725,246) |
| Total business-type activities | 596,393 | (794,569) | (885,447) | (898,223) | (430,990) | 1,845,716 | 1,258,107 | 276,379 | (67,892) | (1,419,719) |
| Total primary government | \$ 43,331,756 | \$ 42,718,045 | \$ 49,717,251 | \$ 55,092,585 | \$ 48,952,527 | \$ 59,512,532 | \$ 58,819,243 | \$ 58,666,527 | \$ 55,053,386 | \$ 70,584,573 |
| Change in Net Position: | | | | | | | | | | |
| Governmental activities | \$ (3,273,072) | \$ (1,015,369) | \$ 2,316,307 | \$ 4,356,405 | \$ 30,422,636 | \$ (2,693,594) | \$ 6,797,545 | \$ 2,494,629 | \$ 49,015,037 | \$ 6,105,153 |
| Business-type activities | 5,973,653 | 4,589,373 | 3,282,008 | 6,345,252 | 20,650,496 | 8,022,566 | 5,024,075 | 5,872,863 | 12,838,281 | 2,561,058 |
| Total primary government | \$ 2,700,581 | \$ 3,574,004 | \$ 5,598,315 | \$ 10,701,657 | \$ 51,073,132 | \$ 5,328,972 | \$ 11,821,620 | \$ 8,367,492 | \$ 61,853,318 | \$ 8,666,211 |

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 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 | Fiscal Year 2021-22 | Fiscal Year 2022-23 |
|------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 1,096,665 | \$ 856,591 | \$ 615,605 | \$ 412,659 | \$ 139,562 | \$ 8,826 | \$ 2,485 | \$ 14,960 | \$ 591 | \$ 60 |
| Restricted | 1,161,494 | 1,392,800 | 7,448,016 | 8,201,746 | 8,112,011 | 8,661,782 | 8,883,451 | 11,337,663 | 9,743,633 | 10,634,967 |
| Committed | 8,649,210 | 8,616,218 | 9,091,623 | - | 867,841 | 980,101 | 1,353,559 | 1,388,993 | 1,382,302 | 1,443,668 |
| Assigned | 800,857 | 573,064 | 590,815 | 11,316,072 | 12,270,563 | 12,777,708 | 11,807,691 | 11,914,029 | 12,010,304 | 11,633,475 |
| Unassigned | 21,046,657 | 23,586,834 | 19,154,869 | 14,077,609 | 14,703,360 | 21,203,689 | 19,891,467 | 29,410,655 | 25,265,822 | 29,344,926 |
| Total general fund | <u>\$ 32,754,883</u> | <u>\$ 35,025,507</u> | <u>\$ 36,900,928</u> | <u>\$ 34,008,086</u> | <u>\$ 36,093,337</u> | <u>\$ 43,632,106</u> | <u>\$ 41,938,653</u> | <u>\$ 54,066,300</u> | <u>\$ 48,402,652</u> | <u>\$ 53,057,096</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | \$ 18,212,052 | \$ 18,067,123 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,000 | \$ - |
| Restricted | 29,045,330 | 28,721,740 | 47,181,358 | 44,665,332 | 44,617,410 | 43,625,108 | 50,392,782 | 46,045,148 | 33,150,403 | 45,252,026 |
| Assigned | - | - | - | - | - | - | - | - | 12,010,304 | - |
| Unassigned | (89,971) | (78,497) | (79,171) | (19,272) | (9,653) | (27,156) | (98,401) | (152,390) | (206,320) | (177,705) |
| Total all other governmental funds | <u>\$ 47,167,411</u> | <u>\$ 46,710,366</u> | <u>\$ 47,102,187</u> | <u>\$ 44,646,060</u> | <u>\$ 44,607,757</u> | <u>\$ 43,597,952</u> | <u>\$ 50,294,381</u> | <u>\$ 45,892,758</u> | <u>\$ 44,955,387</u> | <u>\$ 45,074,321</u> |

CITY OF BREA

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

| | 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 | Fiscal Year 2021-22 | Fiscal Year 2022-23 |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Revenues: | | | | | | | | | | |
| Taxes | \$ 35,621,119 | \$ 37,453,770 | \$ 40,526,309 | \$ 40,215,974 | \$ 41,074,462 | \$ 47,100,463 | \$ 45,845,391 | \$ 47,267,539 | \$ 51,499,865 | \$ 59,116,813 |
| Licenses and permits | 608,664 | 645,054 | 782,250 | 870,940 | 584,841 | 606,355 | 823,019 | 451,865 | 350,510 | 393,659 |
| Intergovernmental | 5,921,198 | 7,992,057 | 10,535,171 | 9,506,268 | 24,323,998 | 15,360,014 | 19,156,439 | 18,725,429 | 12,999,812 | 17,052,662 |
| Contributions | 199,811 | 497,304 | 2,080 | 535 | 105,514 | 102,886 | - | - | - | - |
| Charges for services | 7,416,279 | 8,125,141 | 5,451,452 | 6,188,947 | 8,008,055 | 3,953,235 | 6,239,512 | 2,225,756 | 3,691,879 | 3,652,877 |
| Use of money and property | 2,580,210 | 2,379,065 | 2,778,480 | 2,542,341 | 1,914,998 | 4,445,507 | 4,154,607 | 3,282,919 | (3,333,344) | 3,857,495 |
| Fines and forfeitures | 1,067,593 | 842,001 | 790,247 | 597,476 | 824,358 | 892,120 | 405,841 | 550,471 | 635,774 | 330,578 |
| Other revenues | 2,907,555 | 3,025,883 | 2,852,006 | 5,462,816 | 3,660,707 | 3,424,423 | 4,422,384 | 4,241,978 | 5,823,553 | 4,919,924 |
| Total revenues | 56,322,429 | 60,960,275 | 63,717,995 | 65,385,297 | 80,496,933 | 75,885,003 | 81,047,193 | 76,745,957 | 71,668,049 | 89,324,008 |
| Expenditures: | | | | | | | | | | |
| General Government | 5,479,851 | 5,635,476 | 5,751,038 | 5,645,218 | 5,365,030 | 5,867,534 | 7,132,329 | 5,384,946 | 7,769,057 | 9,143,355 |
| Public Safety | 31,461,089 | 31,340,804 | 33,095,380 | 34,377,568 | 35,511,682 | 36,294,416 | 38,848,662 | 39,623,318 | 41,750,889 | 44,212,147 |
| Community Development | 5,206,914 | 2,853,942 | 3,191,325 | 3,470,595 | 3,469,989 | 3,040,469 | 3,394,609 | 3,186,707 | 3,139,570 | 2,873,049 |
| Community Services | 6,450,201 | 6,750,909 | 7,048,955 | 7,395,363 | 7,284,303 | 7,540,687 | 7,584,500 | 6,607,980 | 8,269,116 | 9,612,938 |
| Public Works | 4,925,155 | 5,200,858 | 5,456,277 | 5,778,004 | 5,390,103 | 5,377,987 | 6,880,759 | 6,229,636 | 9,081,410 | 9,795,758 |
| Capital Outlay | 7,350,289 | 8,129,441 | 9,372,430 | 14,808,389 | 21,198,635 | 9,524,720 | 8,631,178 | 11,090,335 | 6,417,881 | 6,346,656 |
| Debt service: | | | | | | | | | | |
| Principal retirement | 350,000 | 370,000 | 618,132 | 410,411 | 435,389 | 465,458 | 2,595,619 | 295,873 | 330,152 | 118,266 |
| Interest and fiscal charges | 439,402 | 416,792 | 420,772 | 397,243 | 383,551 | 368,468 | 351,681 | 197,523 | 162,385 | 92,968 |
| Transfer to Successor Agency | - | - | - | - | - | - | - | 1,391,670 | - | - |
| Total expenditures | 61,662,901 | 60,698,222 | 64,954,309 | 72,282,791 | 79,038,682 | 68,479,739 | 75,419,337 | 74,007,988 | 76,920,460 | 82,195,137 |
| Excess (deficiency) of revenues over (under) expenditures | (5,340,472) | 262,053 | (1,236,314) | (6,897,494) | 1,458,251 | 7,405,264 | 5,627,856 | 2,737,969 | (5,252,411) | 7,128,871 |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Transfers in | 5,890,552 | 6,507,993 | 4,378,333 | 10,082,394 | 5,791,699 | 3,143,969 | 4,799,670 | 9,563,936 | 4,877,737 | 6,064,027 |
| Transfers out | (4,934,249) | (4,956,467) | (2,826,881) | (8,533,869) | (5,203,002) | (4,020,269) | (5,424,295) | (9,568,575) | (5,745,798) | (8,576,526) |
| Sale of capital assets | 7,460 | - | - | - | - | - | - | 11,601 | 10,240 | 9,331 |
| Capital leases | - | - | 1,952,104 | - | - | - | - | - | - | - |
| Long-term debt issued | - | - | - | - | - | - | - | - | 2,220,000 | 147,675 |
| Refunded debt redeemed | - | - | - | - | - | - | - | - | (2,760,000) | - |
| Bond premium | - | - | - | - | - | - | - | - | 530,190 | - |
| Cost of issuance | - | - | - | - | - | - | - | - | (145,663) | - |
| Total other financing sources (uses) | 963,763 | 1,551,526 | 3,503,556 | 1,548,525 | 588,697 | (876,300) | (624,625) | 6,962 | (1,013,294) | (2,355,493) |
| Net change in fund balances | \$ (4,376,709) | \$ 1,813,579 | \$ 2,267,242 | \$ (5,348,969) | \$ 2,046,948 | \$ 6,528,964 | \$ 5,003,231 | \$ 2,744,931 | \$ (6,265,705) | \$ 4,773,378 |
| Debt service as a percentage of noncapital expenditures | 1.43% | 1.41% | 1.87% | 1.41% | 1.42% | 1.41% | 4.43% | 0.78% | 0.70% | 0.28% |

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 |
|----------------------------------|-----------------------------|----------------------------|----------------------------|------------------------------------|--|------------------------------|
| 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 |
| 2022 | 6,920,919,399 | 2,292,085,820 | 1,786,413,204 | 824,597,074 | 11,824,015,497 | 0.17402 |
| 2023 | 7,456,222,358 | 2,432,549,009 | 1,851,067,772 | 768,105,605 | 12,507,944,744 | 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 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 | Fiscal Year 2021-22 | Fiscal Year 2022-23 |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| 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 | 0.02470 | 0.02528 | 0.02292 | 0.02298 | 0.02325 | 0.02370 | 0.02291 | 0.02489 | 0.02376 | 0.02412 |
| 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 | 0.01704 | 0.01704 | 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 | 0.01888 | 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 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 |
| Total Direct Rate | \$ 1.09030 | \$ 1.09088 | \$ 1.08852 | \$ 1.08858 | \$ 1.08885 | \$ 1.08930 | \$ 1.08851 | \$ 1.09049 | \$ 1.08936 | \$ 1.08972 |

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

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

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

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

CITY OF BREa

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

| Taxpayer | Fiscal Year 2022-23 | | | Fiscal Year 2013-14 | | |
|-----------------------------|------------------------------|------|---|------------------------------|------|---|
| | 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 | \$ 268,907,121 | 1 | 2.12% | \$ 230,921,108 | 1 | 3.04% |
| Olen Pointe Brea LLC | 182,416,408 | 2 | 1.44% | 101,127,576 | 5 | 1.33% |
| RAR2 200 North Puente LLC | 180,808,388 | 3 | 1.42% | 105,773,995 | 3 | 1.39% |
| Amazon Com Services, LLC | 165,026,584 | 4 | 1.30% | | | |
| USCMF Joule La Floresta LLC | 110,271,382 | 5 | 0.87% | | | |
| Beckman Coulter Inc. | 109,572,853 | 6 | 0.86% | 166,592,080 | 2 | 2.19% |
| Avalon Brea Place, LLC | 106,669,841 | 7 | 0.84% | | | |
| FW CA-Brea Marketplace LLC | 105,546,764 | 8 | 0.83% | 99,241,681 | 6 | 1.31% |
| Brea Place II LLC | 97,646,240 | 9 | 0.77% | | | |
| Brea Union Plaza II LLC | 96,132,016 | 10 | 0.76% | 72,439,050 | 7 | 0.95% |
| ICE Holdings LLC | | | | 51,604,049 | 10 | 0.68% |
| Acquiport Brea LP | | | | 103,415,758 | 4 | 1.36% |
| New Albertson's Inc. | | | | 66,782,203 | 9 | 0.88% |
| Mills Acquisition Company | | | | 71,786,874 | 8 | 0.95% |
| | <u>\$ 1,422,997,597</u> | | <u>11.21%</u> | <u>\$ 1,069,684,374</u> | | <u>14.08%</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 |
| 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 |
| 2022 | 24,790,572 | 24,686,602 | 99.58 | 262,838 | 24,423,764 | 98.52 |
| 2023 | 27,345,697 | 27,238,873 | 99.61 | 230,440 | 27,008,433 | 98.77 |

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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Department Stores | \$ 3,000,876 | \$ 3,020,454 | \$ 2,959,079 | \$ 2,827,804 | \$ 2,576,479 | \$ 2,496,605 | \$ 2,024,839 | \$ 1,963,194 | \$ 2,350,485 | \$ 2,381,399 |
| Restaurant | 2,082,644 | 2,159,263 | 2,258,542 | 2,305,596 | 2,512,626 | 2,441,525 | 2,129,793 | 1,981,935 | 2,741,013 | 2,933,868 |
| Light Industry | 2,142,298 | 2,049,527 | 2,171,917 | 2,158,761 | 2,000,878 | 2,162,541 | 2,220,495 | 2,431,072 | 2,720,925 | 3,404,263 |
| Building Materials-Wholesale | 1,676,631 | 1,799,592 | 2,051,748 | 2,116,119 | 2,071,993 | 2,251,101 | 2,264,618 | 2,176,465 | 2,455,321 | 3,234,000 |
| Apparel Stores | 1,697,734 | 1,732,123 | 1,696,435 | 1,676,921 | 1,589,063 | 1,608,941 | 1,298,914 | 1,118,845 | 1,503,442 | 1,423,355 |
| Miscellaneous Retail | 1,707,983 | 1,779,009 | 1,652,697 | 1,558,413 | 1,575,008 | 1,430,115 | 1,160,807 | 1,222,469 | 1,561,652 | 1,523,628 |
| Furniture/Appliance | 686,308 | 801,114 | 763,158 | 810,168 | 976,083 | 1,071,240 | 895,046 | 685,518 | 936,838 | 1,169,919 |
| Service Stations | 1,001,724 | 844,593 | 712,761 | 674,913 | 705,984 | 740,148 | 603,696 | 494,880 | 797,492 | 775,577 |
| Food Markets | 358,917 | 358,917 | 469,420 | 488,165 | 437,616 | 421,421 | 430,868 | 528,657 | 480,219 | 497,257 |
| Building Materials-Retail | 450,013 | 446,278 | 470,340 | 472,178 | 500,971 | 430,202 | 396,907 | 527,090 | 512,632 | 516,627 |
| Heavy Industry | 346,253 | 356,465 | 408,035 | 359,099 | 674,914 | 745,514 | 633,444 | 726,287 | 615,256 | 676,688 |
| Auto Sales-New | 330,614 | 315,306 | 288,732 | 441,956 | 534,567 | 2,522,614 | 2,173,665 | 1,340,847 | 2,291,054 | 2,567,695 |
| Other | 1,774,919 | 1,805,690 | 1,922,933 | 1,927,869 | 1,680,294 | 1,800,006 | 5,262,832 | 6,281,952 | 5,131,673 | 7,707,754 |
| Total | \$ 17,256,914 | \$ 17,468,331 | \$ 17,825,797 | \$ 17,817,962 | \$ 17,836,476 | \$ 20,121,973 | \$ 21,495,924 | \$ 21,479,211 | \$ 24,098,002 | \$ 28,812,030 |

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 | | Percentage of Personal Income ³ | Debt Per Capita ³ |
|---------------------------------|---------------------------|--------------------------------|-------------------------------------|--|--------------------------------|--|---------------------------------|
| | Lease Revenue Bonds | Capital Leases ² | Total Governmental Activities | Water Revenue Bonds ¹ | Total Primary Government | | |
| 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 | 46,042,678 | 49,399,773 | 1.51% | 1,083 |
| 2021 | 2,760,000 | 301,222 | 3,061,222 | 46,054,015 | 49,115,237 | 1.46% | 1,088 |
| 2022 | 2,220,000 | 27,080 | 2,247,080 | 44,195,517 | 46,442,597 | 1.22% | 991 |
| 2023 | 2,220,000 | 107,618 | 2,327,618 | 42,459,196 | 44,786,814 | 1.11% | 929 |

¹ For the fiscal year ended June 30, 2015, the Brea Community Benefit Financing Authority issued over \$18 million of water rev

² For the fiscal year ended June 30, 2016, the City of Brea entered into a lease purchase agreement for \$1,952,104.

³ 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 | Lease Revenue Bonds | Restricted for Debt Service | Net Bonded Debt | Percentage of Assessed Value of Property¹ | Per Capita² |
|--|------------------------------------|--|----------------------------|---|-----------------------------------|
| 2014 | \$ 2,760,000 | \$ 293,713 | \$ 2,466,287 | 0.03% | 58 |
| 2015 | 2,760,000 | 264,636 | 2,495,364 | 0.03% | 58 |
| 2016 | 2,760,000 | 269,453 | 2,490,547 | 0.03% | 57 |
| 2017 | 2,760,000 | 265,707 | 2,494,293 | 0.03% | 57 |
| 2018 | 2,760,000 | 265,506 | 2,494,494 | 0.03% | 56 |
| 2019 | 2,760,000 | 270,863 | 2,489,137 | 0.02% | 55 |
| 2020 | 2,760,000 | 269,853 | 2,490,147 | 0.02% | 55 |
| 2021 | 2,760,000 | 262,772 | 2,497,228 | 0.02% | 55 |
| 2022 | 2,220,000 | - | 2,220,000 | 0.02% | 47 |
| 2023 | 2,220,000 | - | 2,220,000 | 0.02% | 48 |

¹ See schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

² 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, 2023**

City Assessed Valuation: \$ 12,518,201,034

| | Estimated Percentage Applicable ¹ | Debt Outstanding | Estimated Share of Overlapping Debt |
|--|---|-----------------------------|--|
| Overlapping Debt Repaid with Property Taxes: | | | |
| Metropolitan Water District | 0.344 | \$19,215,000 | \$ 66,100 |
| North Orange County Joint Community College District | 7.799 | 324,914,503 | 25,340,082 |
| Brea-Olinda Unified School District | 96.602 | 5,051,844 | 4,880,182 |
| Placentia-Yorba Linda Unified School District | 1.245 | 204,786,502 | 2,549,592 |
| Rowland Unified School District | 0.167 | 205,566,575 | 343,296 |
| Fullerton Joint Union High School District | 1.955 | 182,620,000 | 3,570,221 |
| Fullerton School District | 0.007 | 15,095,770 | 1,057 |
| La Habra City School District | 11.068 | 34,043,679 | 3,767,954 |
| City of Brea Community Facilities Districts | 100 | 9,065,000 | 9,065,000 |
| Brea-Olinda Unified School District Community Facilities District No. 95-1 | 100 | 3,570,000 | 3,570,000 |
| Total overlapping debt repaid with property taxes | | <u>1,003,928,873</u> | <u>53,153,484</u> |
| Overlapping Other Debt: | | | |
| Orange County General Fund Obligation | | | \$ 7,791,620 |
| Orange County Board of Education Certificates of Participation | | | 187,552 |
| North Orange Regional Occupation Program Certificates of Participation | | | 623,590 |
| Brea-Olinda Unified School District Certificates of Participation | | | 8,230,490 |
| Placentia-Yorba Linda Unified School District Certificates of Participation | | | 1,047,481 |
| Fullerton Joint Union High School District Certificates of Participation | | | 308,010 |
| Fullerton School District Certificates of Participation | | | 199 |
| Total overlapping general fund debt | | | <u>18,188,942 ²</u> |
| Total overlapping debt | | | \$ 71,342,426 |
| City of Brea Direct Debt: | | | |
| Lease Revenue Bonds | | | \$ 2,220,000 |
| Leases and SBITAS | | | 302,846 |
| Total City of Brea Direct Debt | | | <u>\$ 2,522,846</u> |
| Combined total direct and overlapping debt | | | \$ 73,865,272 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 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 | Fiscal Year 2021-22 | Fiscal Year 2022-23 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Assessed value | \$ 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 | \$ 11,934,362,924 | \$ 12,518,201,034 |
| Debt limit: 3.75% of assessed value | \$ 293,068,390 | \$ 301,009,053 | \$ 319,971,636 | \$ 341,850,090 | \$ 362,251,044 | \$ 385,750,051 | \$ 407,247,645 | \$ 425,412,902 | \$ 447,538,610 | \$ 469,432,539 |
| Total net debt applicable to limit | | | | | | | | | | |
| Total general obligation bonded debt | | | | | | | | | | - |
| Less net assets in debt service fund | | | | | | | | | | - |
| Total amount of debt applicable to debt limit | | | | | | | | | | - |
| Legal debt margin | | | | | | | | | | <u>\$ 469,432,539</u> |

NOTE:

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

CITY OF BREA

**PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

| Fiscal Year Ended June 30 | Water Revenue Bonds | | | | | Coverage |
|------------------------------------|--------------------------------|---|-----------------------------|--------------|-----------------------|----------|
| | Gross Revenues ¹ | Less: Operating Expenses ² | Net Available Revenue | Debt Service | | |
| | | | | Principal | Interest ³ | |
| 2014 | \$18,204,836 | \$11,873,994 | \$ 6,330,842 | \$ 975,000 | \$ 1,540,597 | 2.52 |
| 2015 | 17,803,755 | 10,685,147 | 7,118,608 | 1,015,000 | 2,351,374 | 2.11 |
| 2016 | 16,489,077 | 9,162,038 | 7,327,039 | 1,315,000 | 2,348,737 | 2.00 |
| 2017 | 19,194,816 | 9,865,661 | 9,329,155 | 1,425,000 | 2,381,873 | 2.45 |
| 2018 | 22,692,925 | 11,972,562 | 10,720,363 | 1,040,000 | 2,361,556 | 3.15 |
| 2019 | 21,492,916 | 12,636,817 | 8,856,099 | 1,100,000 | 2,286,421 | 2.62 |
| 2020 | 21,445,311 | 13,006,772 | 8,438,539 | 1,165,000 | 1,668,816 | 2.98 |
| 2021 | 23,512,550 | 15,881,851 | 7,630,699 | 865,000 | 1,545,361 | 3.17 |
| 2022 | 22,939,213 | 9,797,841 | 13,141,372 | 1,732,749 | 2,519,136 | 3.09 |
| 2023 | 20,261,496 | 13,811,626 | 6,449,870 | 1,470,000 | 1,392,479 | 2.25 |

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.

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 |
|--|--------------------------------|---|--|---|
| 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% |
| 2022 | 46,872 | 3,798,226 | 81,034 | 2.8% |
| 2023 | 48,184 | 4,025,918 | 83,553 | 3.6% |

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 BREA

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

| Employer | Fiscal Year 2022-23 | | | Fiscal Year 2013-14 | | |
|--|----------------------------|-------------|--|----------------------------|-------------|---|
| | Employees | Rank | Percent of Total City Employment ¹ | Employees | Rank | Percent of Total City Employment |
| Albertson's, Inc. | 1,206 | 1 | 25.82% | 1,500 | 2 | 6.94% |
| Beckman Coulter, Inc. ² | 837 | 2 | 17.92% | 680 | 5 | 3.15% |
| Brea Olinda Unified School District ² | 621 | 3 | 13.29% | 1,200 | 3 | 5.56% |
| Nationwide (formerly Veterinary Pet Ins.) ² | 460 | 4 | 9.85% | 678 | 6 | 3.14% |
| Service Champions Plumbing, HVAC | 406 | 5 | 8.69% | 700 | 4 | 3.24% |
| Bristol Industries ² | 405 | 6 | 8.67% | 460 | 7 | 2.13% |
| Nordstrom Department Store ² | 250 | 7 | 5.35% | | | |
| 24 Hour Fitness, USA, LLC ⁴ | 201 | 8 | 4.30% | | | |
| Acosta Sales & Marketing ⁴ | 163 | 9 | 3.49% | | | |
| The Olive Garden Italian Restaurant ⁴ | 122 | 10 | 2.61% | | | |
| Mercury Insurance Group | - | | | 400 | 9 | 1.85% |
| Kirkhill - TA Company | - | | | 300 | 10 | 1.39% |
| Peterson Brothers Construction ³ | - | | | 419 | 8 | 1.94% |
| Bank of America ³ | - | | | 1,500 | 1 | 6.94% |
| Total | 4,671 | | 100.00% | 7,837 | | 36.28% |

¹ Based upon the Employment Development Department's Labor Force estimate of 23,600 in 2022 out of a total population of 46,872.

² Used prior year employee count.

³ No longer in the City of Brea.

⁴ HDL Companies

Source: Calls to businesses.

CITY OF BREA

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

| Function | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government | 58 | 59 | 60 | 59 | 54 | 50 | 48 | 46 | 45 | 46 |
| Public Safety | 167 | 158 | 158 | 159 | 157 | 156 | 155 | 156 | 157 | 161 |
| Community Development | 21 | 21 | 21 | 23 | 22 | 19 | 19 | 21 | 22 | 23 |
| Community Services | 52 | 52 | 55 | 56 | 54 | 55 | 67 | 67 | 53 | 63 |
| Public Works | 41 | 42 | 45 | 47 | 49 | 47 | 47 | 47 | 48 | 50 |
| Water Utility | 17 | 17 | 17 | 15 | 16 | 18 | 17 | 17 | 17 | 19 |
| Sewer Utility | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 6 |
| Sanitation | 2 | 2 | 2 | 4 | 3 | 2 | 1 | 1 | 1 | 1 |
| External Information Technology | 10 | 10 | 10 | 12 | 11 | 8 | 7 | 6 | 4 | 4 |
| Total | <u>373</u> | <u>367</u> | <u>374</u> | <u>381</u> | <u>372</u> | <u>360</u> | <u>366</u> | <u>366</u> | <u>352</u> | <u>373</u> |

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

CITY OF BREA

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Function: | | | | | | | | | | |
| Police | | | | | | | | | | |
| Calls dispatched | 22,412 | 23,026 | 24,359 | 26,027 | 25,185 | 28,510 | 27,973 | 27,845 | 27,996 | 26,241 |
| Crime reports | 4,207 | 4,490 | 4,798 | 4,881 | 4,888 | 4,798 | 4,011 | 3,961 | 4,191 | 3,954 |
| Moving citations | 3,272 | 3,426 | 2,483 | 2,409 | 2,799 | 2,801 | 1,559 | 3,158 | 1,183 | 936 |
| Parking citations | 11,178 | 10,057 | 10,528 | 10,467 | 10,591 | 9,331 | 3,267 | 1,632 | 2,714 | 2,862 |
| Water | | | | | | | | | | |
| Number of customer accounts | 12,637 | 12,951 | 13,153 | 13,224 | 13,338 | 13,428 | 13,449 | 13,474 | 13,467 | 13,408 |
| Average daily consumption (millions of gallons) | 10.30 | 9.54 | 7.86 | 7.71 | 8.78 | 8.20 | 7.97 | 8.97 | 9.22 | 7.85 |
| Water samples taken | 624 | 686 | 732 | 780 | 824 | 783 | 821 | 821 | 821 | 821 |
| Community Development | | | | | | | | | | |
| Permits issued | 1,418 | 1,561 | 2,072 | 2,170 | 2,045 | 2,002 | 1,756 | 1,276 | 1,528 | 1,708 |
| Inspections conducted | 7,955 | 7,997 | 6,903 | 6,833 | 7,611 | 8,697 | 9,753 | 5,383 | 7,127 | 7,223 |
| Public Works | | | | | | | | | | |
| Square feet of graffiti removal | 7,713 | 4,545 | 3,609 | 6,950 | 7,074 | 5,310 | 8,100 | 6,542 | 12,135 | 4,088 |
| Streetsweeping miles | 19,494 | 20,128 | 20,333 | 21,060 | 21,476 | 17,300 | 11,373 | 10,613 | 9,759 | 10,999 |
| Trees pruned per year | 2,069 | 3,408 | 3,275 | 2,830 | 2,158 | 2,745 | 1,838 | 1,879 | 1693 | 2,713 |
| Traffic signal intersections maintained ¹ | 52 | 52 | 53 | 56 | 56 | 53 | 53 | 54 | 54 | 54 |
| Infrastructure improv. projects administered | 9 | 10 | 8 | 8 | 6 | 8 | 9 | 8 | | 6 |
| Culture and Recreation | | | | | | | | | | |
| Gallery promotions and mailings | 18,500 | 18,500 | 14,800 | 14,800 | 14,800 | 14,800 | 7,400 | - | 5,995 | - |
| Gallery attendance | 10,674 | 10,042 | 12,807 | 10,175 | 7,700 | 7,000 | 6,740 | 1,790 | 2,854 | 7,244 |
| Theatre annual program brochures mailed | 44,517 | 26,258 | 34,670 | 31,853 | 10,200 | 21,906 | 16,086 | - | 28,177 | 32,424 |
| Theatre attendance | 12,889 | 12,926 | 50,476 | 47,832 | 41,499 | 34,803 | 23,861 | 2,306 | 6,176 | 64,620 |
| General government | | | | | | | | | | |
| Accounts payable warrants issued | 7,829 | 8,599 | 7,569 | 7,154 | 6,980 | 7,026 | 7,215 | 6,632 | 6,092 | 6,252 |

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**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Function: | | | | | | | | | | |
| Highways and streets | | | | | | | | | | |
| Miles of streets | 120 | 120 | 121 | 121 | 121 | 126 | 126 | 126 | 126 | 126 |
| Street lights | 3,401 | 3,401 | 3,452 | 3,452 | 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 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Miles of lines & mains | 167 | 197 | 197 | 212 | 212 | 212 | 225 | 225 | 225 | 225 |
| Sewer | | | | | | | | | | |
| Miles of sanitary sewers | 111 | 111 | 112 | 112 | 112 | 114 | 114 | 114 | 114 | 114 |
| Miles of storm drains | 26 | 26 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 |
| Culture and Recreation | | | | | | | | | | |
| Number of parks | 13 | 13 | 13 | 13 | 14 | 14 | 14 | 14 | 14 | 14 |
| Number of other facilities | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |

Source: City of Brea