



CITY OF IMPERIAL BEACH, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2010

Prepared By:
FINANCE DEPARTMENT

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FINANCIAL STATEMENTS

JUNE 30, 2010

CITY OF IMPERIAL BEACH
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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CITY OF IMPERIAL BEACH
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Imperial Beach, California

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 Imperial Beach, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Imperial Beach's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Imperial Beach as of June 30, 2010, and the respective changes in financial position and cash flows where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2010, on our consideration of the City of Imperial Beach's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



To the Honorable Mayor and Members of the City Council
City of Imperial Beach, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lance, Soll & Lunghard, LLP

December 20, 2010

CITY OF IMPERIAL BEACH

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 31,100,669	\$ 3,417,896	\$ 34,518,565
Receivables:			
Accounts	421,121	-	421,121
Notes and loans	3,261,625	-	3,261,625
Accrued interest	30,448	-	30,448
Internal balances	272,843	(272,843)	-
Due from other governments	1,449,512	297,029	1,746,541
Inventories	6,642	-	6,642
Deferred charges	364,478	-	364,478
Land held for resale	11,618,972	-	11,618,972
Restricted assets:			
Cash with fiscal agent	1,555,617	-	1,555,617
Capital assets not being depreciated	18,970,485	78,433	19,048,918
Capital assets, net of depreciation	15,520,947	5,099,668	20,620,615
Total Assets	84,573,359	8,620,183	93,193,542
Liabilities:			
Accounts payable	2,764,926	35,983	2,800,909
Accrued liabilities	298,937	17,181	316,118
Accrued interest	87,359	-	87,359
Unearned revenue	965,423	-	965,423
Deposits payable	363,066	-	363,066
Noncurrent liabilities:			
Due within one year	865,642	14,037	879,679
Due in more than one year	19,428,826	39,290	19,468,116
Total Liabilities	24,774,179	106,491	24,880,670
Net Assets:			
Invested in capital assets, net of related debt	34,491,432	5,178,101	39,669,533
Restricted for:			
Public safety	21,200	-	21,200
Highways and streets	1,310,838	-	1,310,838
Capital projects	19,655,149	-	19,655,149
Debt service	3,611,819	-	3,611,819
Unrestricted	708,742	3,335,591	4,044,333
Total Net Assets	\$ 59,799,180	\$ 8,513,692	\$ 68,312,872

CITY OF IMPERIAL BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 9,228,993	\$ 414,475	\$ 105,632	\$ -
Public safety	10,031,410	615,587	3,603,174	-
Parks, recreation and senior center	1,618,601	81,978	-	-
Public works	1,721,808	414,875	178,881	1,008,072
Interest on long-term debt	1,592,052	-	-	-
Total Governmental Activities	<u>24,192,864</u>	<u>1,526,915</u>	<u>3,887,687</u>	<u>1,008,072</u>
Business-Type Activities:				
Sewer	4,296,299	3,625,597	-	-
Total Business-Type Activities	<u>4,296,299</u>	<u>3,625,597</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 28,489,163</u>	<u>\$ 5,152,512</u>	<u>\$ 3,887,687</u>	<u>\$ 1,008,072</u>

General Revenues:

Taxes:

- Property taxes, levied for general purpose
- Transient occupancy taxes
- Sales taxes
- Franchise taxes
- Business licenses taxes
- Utility users tax
- Motor vehicle in lieu - unrestricted
- Use of money and property
- Other

Transfers

**Total General Revenues, Contributions,
Special Items and Transfers**

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

Net Assets at End of Year

Net (Expenses) Revenues and Changes in Net Assets
Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (8,708,886)	\$ -	\$ (8,708,886)
(5,812,649)	-	(5,812,649)
(1,536,623)	-	(1,536,623)
(119,980)	-	(119,980)
<u>(1,592,052)</u>	<u>-</u>	<u>(1,592,052)</u>
<u>(17,770,190)</u>	<u>-</u>	<u>(17,770,190)</u>
<u>-</u>	<u>(670,702)</u>	<u>(670,702)</u>
<u>-</u>	<u>(670,702)</u>	<u>(670,702)</u>
<u>(17,770,190)</u>	<u>(670,702)</u>	<u>(18,440,892)</u>
9,994,728	-	9,994,728
157,451	-	157,451
850,439	-	850,439
1,395,401	-	1,395,401
335,513	-	335,513
2,074,028	-	2,074,028
83,160	-	83,160
1,444,769	31,340	1,476,109
187,526	288,731	476,257
<u>(628,000)</u>	<u>628,000</u>	<u>-</u>
<u>15,895,015</u>	<u>948,071</u>	<u>16,843,086</u>
(1,875,175)	277,369	(1,597,806)
61,881,757	8,134,822	70,016,579
<u>(207,402)</u>	<u>101,501</u>	<u>(105,901)</u>
<u>\$ 59,799,180</u>	<u>\$ 8,513,692</u>	<u>\$ 68,312,872</u>

CITY OF IMPERIAL BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Capital Projects Funds		
	General	Housing Redevelopment	Redevelopment Agency
Assets:			
Pooled cash and investments	\$ 12,154,374	\$ 6,927,717	\$ 1,585,819
Receivables:			
Accounts	416,894	-	4,227
Contract and notes	-	3,255,375	6,250
Accrued interest	30,448	-	-
Due from other governments	966,740	27,713	2,945
Due from other funds	112,144	-	-
Advances to other funds	3,738,100	-	-
Inventories	3,559	-	-
Land held for resale	-	330,691	11,288,281
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
Total Assets	\$ 17,422,259	\$ 10,541,496	\$ 12,887,522
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,489,408	\$ 52,079	\$ 60,247
Accrued liabilities	243,238	3,816	37,702
Deferred revenues	145,342	214,694	-
Unearned revenues	885,192	-	-
Deposits payable	363,066	-	-
Due to other funds	-	-	-
Advances from other funds	-	-	3,738,100
Total Liabilities	3,126,246	270,589	3,836,049
Fund Balances:			
Reserved:			
Reserved for encumbrances	1,052,900	29,104	155,368
Reserved for land held for resale	-	330,691	11,288,281
Reserved for loans receivable	-	3,040,681	6,250
Reserved for advances to other funds	3,738,100	-	-
Reserved for inventories	3,559	-	-
Reserved for capital projects	1,841,230	-	-
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Designated for capital improvement projects	-	6,870,431	-
Designated for debt service	-	-	-
Designated for OPEB	233,286	-	-
Undesignated	7,426,938	-	(2,398,426)
Total Fund Balances	14,296,013	10,270,907	9,051,473
Total Liabilities and Fund Balances	\$ 17,422,259	\$ 10,541,496	\$ 12,887,522

CITY OF IMPERIAL BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Debt Service Fund		
	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Assets:			
Pooled cash and investments	\$ 3,018,014	\$ 1,644,552	\$ 25,330,476
Receivables:			
Accounts	-	-	421,121
Contract and notes	-	-	3,261,625
Accrued interest	-	-	30,448
Due from other governments	110,850	251,566	1,359,814
Due from other funds	-	-	112,144
Advances to other funds	-	-	3,738,100
Inventories	-	-	3,559
Land held for resale	-	-	11,618,972
Restricted assets:			
Cash and investments with fiscal agents	1,555,617	-	1,555,617
Total Assets	\$ 4,684,481	\$ 1,896,118	\$ 47,431,876
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,072,662	\$ 53,858	\$ 2,728,254
Accrued liabilities	-	1,465	286,221
Deferred revenues	-	4,500	364,536
Unearned revenues	-	80,231	965,423
Deposits payable	-	-	363,066
Due to other funds	-	112,144	112,144
Advances from other funds	-	-	3,738,100
Total Liabilities	1,072,662	252,198	8,557,744
Fund Balances:			
Reserved:			
Reserved for encumbrances	-	23,433	1,260,805
Reserved for land held for resale	-	-	11,618,972
Reserved for loans receivable	-	-	3,046,931
Reserved for advances to other funds	-	-	3,738,100
Reserved for inventories	-	-	3,559
Reserved for capital projects	-	-	1,841,230
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	1,620,487	1,620,487
Designated for capital improvement projects	-	-	6,870,431
Designated for debt service	3,611,819	-	3,611,819
Designated for OPEB	-	-	233,286
Undesignated	-	-	5,028,512
Total Fund Balances	3,611,819	1,643,920	38,874,132
Total Liabilities and Fund Balances	\$ 4,684,481	\$ 1,896,118	\$ 47,431,876

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CITY OF IMPERIAL BEACH

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Fund balances of governmental funds	\$ 38,874,132
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity	33,608,323
Bond issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the statement of net assets	364,478
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Long-term liabilities	(19,169,967)
Compensated Absences	(680,693)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds	(87,359)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	364,536
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets	<u>6,525,730</u>
Net assets of governmental activities	<u>\$ 59,799,180</u>

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Capital Projects Funds</u>		
	<u>General</u>	<u>Housing Redevelopment</u>	<u>Redevelopment Agency</u>
Revenues:			
Taxes	\$ 6,602,640	\$ 1,455,458	\$ -
Assessments	-	-	-
Licenses and permits	495,763	-	-
Intergovernmental	629,021	-	-
Charges for services	4,583,197	-	16,300
Use of money and property	849,462	74,238	312,796
Fines and forfeitures	197,446	-	-
Services provided	2,101,726	-	-
Miscellaneous	178,831	-	8,695
Total Revenues	<u>15,638,086</u>	<u>1,529,696</u>	<u>337,791</u>
Expenditures:			
Current:			
General government	2,734,270	1,233,139	5,012,118
Public safety	9,889,968	-	-
Parks, recreation and senior center	1,515,161	-	-
Public works	1,343,935	-	-
Capital outlay	362,108	-	273,438
Debt service:			
Principal retirement	-	86,000	-
Interest and fiscal charges	-	223,691	-
Total Expenditures	<u>15,845,442</u>	<u>1,542,830</u>	<u>5,285,556</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(207,356)</u>	<u>(13,134)</u>	<u>(4,947,765)</u>
Other Financing Sources (Uses):			
Transfers in	625,245	-	4,630,200
Transfers out	(671,000)	-	-
Total Other Financing Sources (Uses)	<u>(45,755)</u>	<u>-</u>	<u>4,630,200</u>
Net Change in Fund Balances	<u>(253,111)</u>	<u>(13,134)</u>	<u>(317,565)</u>
Fund Balances, Beginning of Year, as previously reported	14,549,124	10,284,041	9,369,038
Restatements	-	-	-
Fund Balances, Beginning of Year, as restated	<u>14,549,124</u>	<u>10,284,041</u>	<u>9,369,038</u>
Fund Balances, End of Year	<u>\$ 14,296,013</u>	<u>\$ 10,270,907</u>	<u>\$ 9,051,473</u>

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	Debt Service Fund		
	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 4,306,527	\$ -	\$ 12,364,625
Assessments	-	10,270	10,270
Licenses and permits	-	4,100	499,863
Intergovernmental	-	992,861	1,621,882
Charges for services	-	8,160	4,607,657
Use of money and property	38,712	14,847	1,290,055
Fines and forfeitures	-	-	197,446
Services provided	-	-	2,101,726
Miscellaneous	-	-	187,526
Total Revenues	4,345,239	1,030,238	22,881,050
Expenditures:			
Current:			
General government	20,233	11,127	9,010,887
Public safety	-	73,360	9,963,328
Parks, recreation and senior center	-	24,928	1,540,089
Public works	-	6,000	1,349,935
Capital outlay	-	114,182	749,728
Debt service:			
Principal retirement	344,000	-	430,000
Interest and fiscal charges	1,343,335	-	1,567,026
Total Expenditures	1,707,568	229,597	24,610,993
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,637,671	800,641	(1,729,943)
Other Financing Sources (Uses):			
Transfers in	-	18,000	5,273,445
Transfers out	(4,630,200)	(625,245)	(5,926,445)
Total Other Financing Sources (Uses)	(4,630,200)	(607,245)	(653,000)
Net Change in Fund Balances	(1,992,529)	193,396	(2,382,943)
Fund Balances, Beginning of Year, as previously reported	5,604,348	1,397,157	41,203,708
Restatements	-	53,367	53,367
Fund Balances, Beginning of Year, as restated	5,604,348	1,450,524	41,257,075
Fund Balances, End of Year	\$ 3,611,819	\$ 1,643,920	\$ 38,874,132

CITY OF IMPERIAL BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Net change in fund balances - total governmental funds	\$ (2,382,943)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	248,427
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	355,047
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.	1,278
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(21,681)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	790
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>(76,093)</u>
Change in net assets of governmental activities	<u>\$ (1,875,175)</u>

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 14,549,124	\$ 14,549,124	\$ 14,549,124	\$ -
Resources (Inflows):				
Taxes	6,936,200	6,936,200	6,602,640	(333,560)
Licenses and permits	526,000	526,000	495,763	(30,237)
Intergovernmental	223,000	223,000	629,021	406,021
Charges for services	5,023,126	5,023,126	4,583,197	(439,929)
Use of money and property	917,000	917,000	849,462	(67,538)
Fines and forfeitures	295,500	295,500	197,446	(98,054)
Contributions	2,078,016	2,078,016	2,101,726	23,710
Miscellaneous	163,500	163,500	178,831	15,331
Transfers from other funds	857,046	857,046	625,245	(231,801)
Amounts Available for Appropriation	31,568,512	31,568,512	30,812,455	(756,057)
Charges to Appropriation (Outflow):				
General government				
Mayor/City Council	108,837	109,132	100,310	8,822
City Clerk's Office	252,054	254,895	242,544	12,351
City Manager	237,451	239,191	210,752	28,439
Personnel	254,763	257,689	222,930	34,759
Administrative Services	623,831	632,387	584,087	48,300
City Attorney	205,000	205,000	156,279	48,721
Community Development	364,287	368,069	315,027	53,042
Facilities Maintenance	274,313	277,410	241,284	36,126
Non Departmental	335,184	2,697,184	661,057	2,036,127
Public safety				
Law Enforcement Contract	6,222,822	6,223,987	5,835,120	388,867
Fire Protection Rescue	2,111,215	2,130,830	2,134,827	(3,997)
Ocean Beach Safety	1,266,349	1,284,178	1,296,161	(11,983)
Building Inspection	336,284	340,088	289,890	50,198
Animal Control	209,700	209,700	234,353	(24,653)
Disaster Preparedness	39,206	39,206	29,386	9,820
Code Enforcement	48,158	48,472	41,452	7,020
AVA Program	39,061	39,375	28,779	10,596
Parks and recreation				
Recreation Svcs. & Skatepark	249,259	389,462	258,426	131,036
Park Maintenance	402,736	405,147	394,804	10,343
Senior Services	28,152	30,735	28,414	2,321
Tidelands Maintenance	894,615	908,413	833,517	74,896
Public works				
Street Maintenance	857,046	863,398	779,498	83,900
Public Works Administration	500,594	505,807	468,773	37,034
Solid Waste Management	103,913	104,139	95,594	8,545
Facilities - Sewer/Stormwater	-	-	70	(70)
Capital outlay	197,295	190,449	362,108	(171,659)
Transfers to other funds	671,000	671,000	671,000	-
Total Charges to Appropriations	16,833,125	19,425,343	16,516,442	2,908,901
Budgetary Fund Balance, June 30	\$ 14,735,387	\$ 12,143,169	\$ 14,296,013	\$ (3,664,958)

CITY OF IMPERIAL BEACH

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2010

	<u>Enterprise Fund</u>	<u>Governmental</u>
	<u>Sewer</u>	<u>Activities- Internal Service Funds</u>
Assets:		
Current Assets:		
Cash and investments	\$ 3,417,896	\$ 5,770,193
Due from other governments	297,029	89,698
Inventories	-	3,083
Total Current Assets	<u>3,714,925</u>	<u>5,862,974</u>
Noncurrent Assets:		
Capital assets - net of accumulated depreciation	5,178,101	883,109
Total Noncurrent Assets	<u>5,178,101</u>	<u>883,109</u>
Total Assets	<u>\$ 8,893,026</u>	<u>\$ 6,746,083</u>
Liabilities and Net Assets:		
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 35,983	\$ 36,672
Accrued liabilities	17,181	12,716
Accrued compensated absences	14,037	17,068
Accrued claims and judgments	-	159,169
Total Current Liabilities	<u>67,201</u>	<u>225,625</u>
Noncurrent Liabilities:		
Compensated absences	39,290	36,417
Claims payable	-	231,154
Total Noncurrent Liabilities	<u>39,290</u>	<u>267,571</u>
Total Liabilities	<u>106,491</u>	<u>493,196</u>
Net Assets:		
Invested in capital assets, net of related debt	5,178,101	883,109
Unrestricted	3,608,434	5,369,778
Total Net Assets	<u>8,786,535</u>	<u>6,252,887</u>
Total Liabilities and Net Assets	<u>\$ 8,893,026</u>	<u>\$ 6,746,083</u>
Reconciliation of Net Assets to the Statement of Net Assets		
Net Assets per Statement of Net Assets - Proprietary Funds	\$ 8,786,535	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(61,631)	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds	(211,212)	
Net Assets per Statement of Net Assets	<u>\$ 8,513,692</u>	

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Enterprise Fund</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	
Operating Revenues:		
Sales and service charges	\$ 3,625,597	\$ 1,317,346
Miscellaneous	288,731	192,651
Total Operating Revenues	<u>3,914,328</u>	<u>1,509,997</u>
Operating Expenses:		
Services and supplies	3,720,634	537,561
Claims expenses	-	385,877
Depreciation	161,205	165,570
Personnel and administrative	479,248	521,442
Total Operating Expenses	<u>4,361,087</u>	<u>1,610,450</u>
Operating Income (Loss)	<u>(446,759)</u>	<u>(100,453)</u>
Nonoperating Revenues (Expenses):		
Interest revenue	31,340	63,849
Gain (loss) on disposal of capital assets	-	299
Total Nonoperating Revenues (Expenses)	<u>31,340</u>	<u>64,148</u>
Income (Loss) Before Transfers	(415,419)	(36,305)
Transfers in	904,000	25,000
Transfers out	-	(276,000)
Changes in Net Assets	<u>488,581</u>	<u>(287,305)</u>
Net Assets:		
Beginning of Year, as previously reported	8,196,453	6,365,465
Restatements	<u>101,501</u>	<u>174,727</u>
Beginning of Fiscal Year, as restated	<u>8,297,954</u>	<u>6,540,192</u>
End of Fiscal Year	<u>\$ 8,786,535</u>	<u>\$ 6,252,887</u>
Reconciliation of Changes in Net Assets to the Statement of Activities:		
Changes in Net Assets, per the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	\$ 488,581	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	<u>(211,212)</u>	
Changes in Net Assets of Business-Type Activities per Statement of Activities	<u>\$ 277,369</u>	

CITY OF IMPERIAL BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2010

	<u>Enterprise Fund</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 4,035,879	\$ -
Cash received from/(paid to) interfund service provided	-	1,444,996
Cash paid to suppliers for goods and services	(3,701,188)	(940,890)
Cash paid to employees for services	(468,388)	(523,415)
Net Cash Provided (Used) by Operating Activities	(133,697)	(19,309)
Cash Flows from Non-Capital Financing Activities:		
Cash transfers out	-	(276,000)
Cash transfers in	904,000	25,000
Net Cash Provided (Used) by Non-Capital Financing Activities	904,000	(251,000)
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	24	299
Net Cash Provided (Used) by Capital and Related Financing Activities	24	299
Cash Flows from Investing Activities:		
Interest received	31,340	63,849
Net Cash Provided (Used) by Investing Activities	31,340	63,849
Net Increase (Decrease) in Cash and Cash Equivalents	801,667	(206,161)
Cash and Cash Equivalents at Beginning of Year	2,616,229	5,976,354
Cash and Cash Equivalents at End of Year	\$ 3,417,896	\$ 5,770,193
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (446,759)	\$ (100,453)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	161,205	165,570
(Increase) decrease in accounts receivable	168,408	6,222
(Increase) decrease in due from other governments	(46,857)	(71,223)
Increase (decrease) in accounts payable	19,446	(17,452)
Increase (decrease) in accrued liabilities	2,748	(2,797)
Increase (decrease) in compensated absences	8,112	824
Total Adjustments	313,062	81,144
Net Cash Provided (Used) by Operating Activities	\$ (133,697)	\$ (19,309)

CITY OF IMPERIAL BEACH

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Special Assessment Districts</u>
Assets:	
Cash and investments	\$ 552,691
Total Assets	<u>\$ 552,691</u>
Liabilities:	
Due to bondholders	\$ 552,691
Total Liabilities	<u>\$ 552,691</u>
Total Liabilities and Net Assets	<u>\$ 552,691</u>

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I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The City of Imperial Beach, California (the City), was incorporated July 18, 1956, and operates as a General Law City. The City operates under a Council-Manager form of government and provides the following services: general government, fire, highways and streets, planning and zoning, and public improvements. Police services are contracted through the San Diego Sheriff's Department. The City is not subject to federal or state income taxes.

As required by generally accepted accounting principles, these financial statements present the City of Imperial Beach (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These entities are legally separate from each other. However, the City of Imperial Beach's elected officials have a continuing full or partial accountability for fiscal matters of the other entities. The financial reporting entity consists of: 1) the City, 2) organizations for which the City is financially accountable, and 3) organizations for which the nature and significance of their relationship with the City are such that exclusions would cause the City's financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, component units' balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. The following component units of the City have been included in the financial reporting entity as blended component units.

A description of these component units and the method of incorporating their financial information in the accompanying financial statements are summarized as follows:

Blended Component Units

Imperial Beach Redevelopment Agency

The Imperial Beach Redevelopment Agency (RDA) was activated in October 1995 pursuant to Section 33101 of the California Health and Safety Code. The purpose of the RDA is to eliminate deteriorating conditions and conserve, rehabilitate and revitalize project areas in accordance with the redevelopment plan. The RDA is designed to encourage cooperation and participation of residents, businesspersons, community organizations and public agencies in the revitalization area. The RDA has established an Amended Project Area that encompasses nearly the entire city. Separate financial statements for the Imperial Beach Redevelopment Agency of the City of Imperial Beach can be obtained at the City of Imperial Beach's City Hall.

Note 1: Summary of Significant Accounting Policies (Continued)

Imperial Beach Public Financing Authority

The Imperial Beach Public Financing Authority was established on November 20, 2003, by a joint exercise of powers agreement between the City of Imperial Beach and the Imperial Beach Redevelopment Agency pursuant to the Community Redevelopment Law (commencing with Section 33000) of the Health and Safety Code of the State of California. Separate financial statements are not prepared for the Authority.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are 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 and fiduciary 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.

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 gas tax which is 120 days. 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

Note 1: Summary of Significant Accounting Policies (Continued)

claims and judgments, are recorded only when payment is due. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. Fiduciary Funds are accounted for on a full accrual basis.

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.

All proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned and become measurable; expenses are recognized when they are incurred. Unbilled service receivables are recorded as accounts receivable and as revenue when earned.

Private-sector standards of accounting and financial reporting issued prior to December 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.
- The Housing Redevelopment Capital Projects Fund accounts for the general activity of the Redevelopment Agency.
- The Redevelopment Agency Capital Projects Fund accounts for the general activity of the Redevelopment Agency.
- The Redevelopment Agency Debt Service Fund accounts for the general activity of the Redevelopment Agency.

The City reports the following major proprietary fund:

- The Sewer Fund is an Enterprise Fund that accounts for the revenues and expenses associated with providing wastewater treatment services to residents of the City.

Additionally, the City reports the following fund types:

- Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Note 1: Summary of Significant Accounting Policies (Continued)

- Internal Service Funds account for the financing of goods or services related to repair, replacement and maintenance of City-owned equipment, the City's self-insurance programs, the City's general information systems and telecommunications hardware, software and the repair, replacement and maintenance of City-owned facilities. These services are provided to other departments or agencies of the City on a cost reimbursement basis.
- Agency Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. They do not involve measurement of results of operations. The City's agency funds account for its special assessment districts.

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.

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 nonoperating 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 Enterprise 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 nonoperating revenues and expenses.

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

d. Assets, Liabilities and Net Assets or Equity

Cash and Investments

For purposes of the statement of cash flows, the City considers cash and cash equivalents to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash and investments in the Proprietary Funds.

Investments for the City, as well as for its component units, are reported at fair value. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance

Note 1: Summary of Significant Accounting Policies (Continued)

with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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/due 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."

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

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

Functional Classifications

Expenditures of the Governmental Funds are classified by function. Functional classifications are defined as follows:

- General Government includes legislative activities that have a primary objective of providing legal and policy guidelines for the City. Also included in this classification are those activities that provide management or support services across more than one functional area.
- Public Safety includes those activities that involve the protection of people and property.
- Parks, Recreation and Senior Center include those activities that involve community park maintenance and recreational activities within the community.
- Public Works includes those activities that involve the maintenance and improvement of City streets, roads and park department development and maintenance.
- Debt Service includes those activities that account for the payment of long-term debt principal, interest and fiscal charges.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. The General Fund inventory is accounted for on the consumption method and is equally offset by a reservation of fund balance in the fund-level statements, which indicates that it does not constitute "available spendable resources."

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 1: Summary of Significant Accounting Policies (Continued)

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 fund balances in the governmental fund types have been reserved for amounts equal to the prepaid items in the fund-level statements, since these amounts are not available for appropriation.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, the City has reported general infrastructure assets acquired in prior and current years.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	25 - 50
Improvements Other than Buildings	10 - 50
Sewer lines and Pump Stations	35 - 50
Equipment	3 - 20
Vehicles	5 - 10
<u>Infrastructure</u>	<u>Years</u>
Pavement	33
Curb and Gutter	50
Sidewalk	50

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

All permanent employees of the City are permitted to accumulate a maximum of two times their annual accrual rate (annual leave). Maximum sick leave accrual for miscellaneous employees is 1,000 hours and for safety employees is 1,400 hours. Upon termination of employment, an employee is paid for accumulated annual leave but forfeits accumulated sick leave unless the employee has over five years of service. After five years of service, upon termination, the employee is paid for half the accumulated sick leave. Compensated absences are paid out of the General Fund and are reported there as a liability when they have matured.

Accumulated vested sick pay and vacation pay at June 30, 2010, for employees of the Proprietary Funds have been accrued. All accumulated compensated absences are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. The City uses a modified encumbrance system in which only significant, select encumbrances are carried over at year-end. All other encumbrances lapse at year-end and are re-encumbered in the following fiscal year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 1: Summary of Significant Accounting Policies (Continued)

e. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between fund balance-governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities and compensated absences have not been included in the governmental fund activity." The detail of the \$(19,169,967) long-term debt difference is as follows:

Tax Allocation Bonds	\$ (19,375,000)
Unamortized Bond Discount	253,682
OPEB obligation	<u>(48,649)</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u><u>\$ (19,169,967)</u></u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances of total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

The details of this \$248,427 difference are as follows:

Capital Outlay	\$ 902,503
Depreciation Expense	<u>(654,076)</u>
Net adjustment to increase net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 248,427</u></u>

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. General Budget Policies

The two-year operating budget adopted by the City Council provides for the general operations of the City. It includes proposed expenditures and the means of financing them on a departmental basis. Budgets are legally adopted in the General Fund, Special Revenue Funds, except for the Traffic Safety, Parks Grant, LLEBG, Capital Projects and Prop 1B Funds, Enterprise Funds and the Internal Service Funds.

The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. All amendments made during the year are included in the budgetary amounts reported herein. The "appropriated budget" covers all City expenditures, with the exception of debt service on bond issues and capital improvement projects carried forward from prior years, which expenditures constitute the legally authorized "non-appropriated budget." Actual expenditures may not exceed budgeted appropriations at the fund level, which is the legal level of control for the Capital Projects Funds. All other funds use the departmental level as the legal level of control.

Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Appropriations that are encumbered lapse at year-end and then are added to the following years' budgeted appropriations.

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

Appropriations for capital projects authorized but not constructed or completed during the year are carried forward as continuing appropriations into the following year's budget.

Under Article XIII-B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset by a deficit in the following year. For the fiscal year ended June 30, 2010, based on calculations by City staff, proceeds of taxes did not exceed appropriations. Further, Section 5 of Article XIII-B allows the City to designate a portion of fund balance for general contingencies to be used for any purpose.

Appropriations lapse at the end of the fiscal year except for the Capital Projects Funds, which may be carried over to the next fiscal year if not completed at year-end. Expenditures may not exceed budget appropriations at the department level for the General Fund and at the function level for the Special Revenue Funds.

CITY OF IMPERIAL BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Note 2: Stewardship, Compliance and Accountability (Continued)

A project-length budget is adopted for the capital projects funds. The debt service fund is governed by bond covenants; therefore a formal budget is not adopted. Thus, the City does not show a budget comparison for these funds. In addition, Local Law Enforcement Block Grant and Traffic Safety Fund did not adopt a budget therefore a budget comparison is not shown.

b. Excess of Expenditures Over Appropriations are as Follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
Fire Protection Rescue	\$ 2,134,827	\$ 2,130,830	\$ 3,997
Ocean Beach Safety	1,296,161	1,284,178	11,983
Animal Control	234,353	209,700	24,653
Facilities - Sewer/Stormwater	70	-	70

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2010, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 32,656,286
Business-Type activities	3,417,896
Fiduciary funds	<u>552,691</u>
Total Cash and Investments	<u><u>\$ 36,626,873</u></u>

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on monthly cash and investment balances. Interest Income from cash and investments with fiscal agents is credited directly to the related fund.

Deposits

At June 30, 2010, the carrying amount of the City's deposits was \$627,973 and the bank balance was \$679,397. The (\$51,424) difference represents outstanding checks and other reconciling items.

Note 3: Cash and Investments (Continued)

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 city 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 government 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.

Investments

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

- U.S. Treasury Obligations (bills, notes and bonds)
- Bonds, notes or other evidence of indebtedness issued or guaranteed by agency of the United States government
- Certificates of Deposit or Time Deposits placed with commercial banks and savings and loans
- Medium-term Corporate Notes with an "A" or comparable ratings
- Instruments of other California Government Entities with an "A" or comparable rating
- Banker's Acceptances
- Repurchase Agreements
- Local Agency Investment Fund Demand Deposits (State Pool)
- County of San Diego Treasury (County Pool)
- California Arbitrage Management Program (Bond Pool)
- Passbook Savings Account Demand Deposits
- Money Market funds, which invest solely in securities issued by the U.S. Treasury and agencies of the Federal government, and repurchase agreements collateralized with U.S. Treasury and Federal agency obligations
- Overnight Sweep accounts as managed by the depository bank as part of the checking account packaged contracted by the City, provided the sweep account is collateralized in accordance with state law

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 3: Cash and Investments (Continued)

Investments in State Investment Pool

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

GASB Statement No. 31

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

Credit Risk

The City's investment policy limits investments in medium-term notes (MTN's) to those rated "AA" or higher by Standard and Poor's (S&P) or by Moody's. As of June 30, 2010, the City had no investments in medium-term notes. In addition, the City's investments in Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation were rated "AAA" by Moody's and by S&P. All securities were investment grade and were legal under State law. Investments in U.S. Treasuries are not considered to have credit risk; therefore, their credit quality is not disclosed.

As of June 30, 2010, the City's investments in external investment pools, money market mutual funds and investment agreements are unrated.

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 does not have a specific policy addressing custodial credit risk.

As of June 30, 2010, none of the City's deposits or investments was exposed to custodial credit risk.

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer to 25% of the total investment pool. With respect to concentration risk, as of June 30, 2010, the City has not invested more than 25% of its total investments in any one issuer.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 3: Cash and Investments (Continued)

In addition, GASB 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value. As of June 30, 2010, the City has investments with the following issuers, which exceed 5% of the total investment value:

Federal Home Loan Bank	\$ 11,669,420	32%
Federal Farm Credit Bank	4,031,570	11%
Federal National Mortgage Association	4,021,880	11%

Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

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 the City's investment portfolio will not directly invest in securities maturing in more than five years. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2010, the City had the following investments and original maturities:

Investment Type:	Investment Maturities (in Years)				Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	3 to 5 years	
California Local Agency Investment Fund	\$ 13,705,453	\$ -	\$ -	\$ -	\$ 13,705,453
Federal Farm Credit Bank	-	-	1,004,380	3,027,190	4,031,570
Federal Home Loan Bank	-	-	4,007,190	7,662,230	11,669,420
Federal National Meeting Association	-	-	-	4,021,880	4,021,880
Corporate Bonds	-	-	1,014,960	-	1,014,960
Money Market Mutual Funds - held by fiscal agent	1,555,617	-	-	-	1,555,617
	<u>\$ 15,261,070</u>	<u>\$ -</u>	<u>\$ 6,026,530</u>	<u>\$ 14,711,300</u>	<u>\$ 35,998,900</u>

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Adjustments*	Adjusted Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental Activities:							
Capital assets, not being depreciated:							
Land	\$ 1,638,532	\$ -	\$ 1,638,532	\$ -	\$ -	\$ -	\$ 1,638,532
Infrastructure right-of-way	12,406,327	-	12,406,327	-	-	-	12,406,327
Construction-in-progress	6,494,321	(435,496)	6,058,825	(2,002,822)	869,623	-	4,925,626
Total Capital Assets, Not Being Depreciated	20,539,180	(435,496)	20,103,684	(2,002,822)	869,623	-	18,970,485
Capital assets, being depreciated:							
Structures and improvements	6,021,231	-	6,021,231	-	20,071	-	6,041,302
Equipment and vehicles	3,810,356	-	3,810,356	412,835	66,840	68,958	4,221,073
Infrastructure	13,021,849	-	13,021,849	1,589,987	-	-	14,611,836
Total Capital Assets, Being Depreciated	22,853,436	-	22,853,436	2,002,822	86,911	68,958	24,874,211
Less accumulated depreciation:							
Structures and improvements	2,715,016	-	2,715,016	-	147,110	-	2,862,126
Equipment and vehicles	2,700,023	-	2,700,023	-	281,008	68,958	2,912,073
Infrastructure	3,187,537	-	3,187,537	-	391,528	-	3,579,065
Total Accumulated Depreciation	8,602,576	-	8,602,576	-	819,646	68,958	9,353,264
Total Capital Assets, Being Depreciated, Net	14,250,860	-	14,250,860	2,002,822	(732,735)	-	15,520,947
Governmental Activities Capital Assets, Net	\$ 34,790,040	\$ (435,496)	\$ 34,354,544	\$ -	\$ 136,888	\$ -	\$ 34,491,432

* Adjustments were to properly state capital asset balances.

	Beginning Balance	Adjustments*	Adjusted Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Business-Type Activities:							
Capital assets, not being depreciated:							
Construction-in-progress	\$ 54,998	\$ -	\$ 54,998	\$ (1,064)	\$ 32,478	\$ 7,979	\$ 78,433
Total Capital Assets, Not Being Depreciated	54,998	-	54,998	(1,064)	32,478	7,979	78,433
Capital assets, being depreciated:							
Sewer Lines and Pump Stations	8,295,595	-	8,295,595	1,064	76,978	-	8,373,637
Total Capital Assets, Being Depreciated	8,295,595	-	8,295,595	1,064	76,978	-	8,373,637
Less accumulated depreciation:							
Sewer Lines and Pump Stations	3,112,764	-	3,112,764	-	161,205	-	3,273,969
Total Accumulated Depreciation	3,112,764	-	3,112,764	-	161,205	-	3,273,969
Total Capital Assets, Being Depreciated, Net	5,182,831	-	5,182,831	1,064	(84,227)	-	5,099,668
Business-Type Activities Capital Assets, Net	\$ 5,237,829	\$ -	\$ 5,237,829	\$ -	\$ (51,749)	\$ 7,979	\$ 5,178,101

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 4: Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 119,502
Public Safety	36,754
Public Works	399,297
Parks, Recreation and Senior Center	98,523
Internal Service Funds	165,570
	<hr/>
Total Governmental Activities	\$ 819,646
	<hr/>
Business-Type Activities:	
Sewer	\$ 161,205
	<hr/>

Note 5: Loans Receivable

Loans receivable consist of the following:

Capital Project Funds

In November 2002, the Agency loaned \$25,000 to the Imperial Beach Community Clinic (IBCC) to be repaid on or before January 1, 2013. IBCC may receive credit toward the repayment of the Note in accordance with an Owner Participation Agreement (OPA) by and between the Agency and IBCC. The Agency will forgive \$2,500 of the loan for each year that IBCC complies with the OPA and operates the facility as a health clinic in substantially the same manner as on the date the OPA was executed (November 13, 2002). During fiscal year 2009-2010, \$2,500 of the debt was forgiven, leaving a balance of \$6,250.

Low and Moderate Income Housing Set-aside Funds

In April 2006, the Agency entered into a loan agreement for an amount not-to-exceed \$540,425 with South Bay Community Services (SBCS) to loan low and moderate income housing set-aside funds to rehabilitate a seven-unit apartment complex located at 1360 Hemlock Avenue. This loan agreement was amended in October, 2007 and increased the loan agreement by \$89,183, creating a total not-to-exceed amount of \$629,608. SBCC intends to rent all seven units to families earning 50% or below of the area median income, for a term of fifty-five years. Beginning May 31, 2006, and continuing through 2061, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are not required to be paid if the rental and occupancy conditions are met for the property. All principal and accrued interest on the Loan shall be due in full on (i) the date of any transfer not authorized by the Agency; (ii) the date of any Default; or (iii) the expiration of the Loan Term, whichever occurs first. However, upon expiration of the Loan Term, the Loan amount pursuant to the Note and accrued interest shall be forgiven provided all covenants and conditions were met over the Loan Term. Accrued interest at June 30, 2010, amounts to \$65,223 and is offset by deferred revenue. The loan has not been fully disbursed at June 30, 2010. The outstanding balance at June 30, 2010, is \$674,449, including accrued interest.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 5: Loans Receivable (Continued)

In April 2006, the Agency entered into a loan agreement for an amount not-to-exceed \$491,271 with South Bay Community Services (SBCS) to loan low and moderate income housing set-aside funds to rehabilitate an eight-unit apartment complex located at 1260 Calla Avenue. SBCC intends to rent all seven units to families earning 50% or below of the area median income, for a term of fifty-five years. Beginning May 31, 2006, and continuing through 2061, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are not required to be paid if the rental and occupancy conditions are met for the property. All principal and accrued interest on the Loan shall be due in full on (i) the date of any transfer not authorized by the Agency; (ii) the date of any Default; or (iii) the expiration of the Loan Term, whichever occurs first. However, upon expiration of the Loan Term, the Loan amount pursuant to the Note and accrued interest shall be forgiven provided all covenants and conditions were met over the Loan Term. Accrued interest at June 30, 2010, amounts to \$56,900 and is offset by deferred revenue. The loan has not fully been disbursed at June 30, 2010. The outstanding balance at June 30, 2010, is \$543,355, including accrued interest.

In August 2008, the Agency entered into a loan agreement for an amount not-to-exceed \$1,945,000 with Beachwind Court, LP to loan low and moderate income housing set-aside funds to rehabilitate a fifteen-unit apartment complex located at 624 12th Street. Beachwind Court, LP intends to rent seven units to families earning 50% or below of the area median income and to rent all seven units to families earning 60% or below of the area median income, for a term of fifty-five years. Beginning on the date of disbursement, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are required to be paid within 30 days of completion of the annual audit equivalent to 50% of the residual receipts generated by the projects audited records. Accrued interest at June 30, 2010, amounts to \$92,571 and is offset by deferred revenue. The outstanding balance at June 30, 2010, is \$2,037,571, including accrued interest.

Total loans receivable at June 30, 2010, amounts to \$3,261,625.

Note 6: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2010, is as follows:

Due To/Due From Other Funds

Funds	Due to Other Funds
Due From Other Funds:	Non-major Governmental Funds
General Fund	\$ 112,144

At the end of Fiscal Year 2009/2010, \$112,144 was due for deficit cash balances in the non-major funds.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 6: Interfund Receivable, Payable and Transfers (Continued)

Advances To/From Other Funds

Funds	Advances from Other Funds Capital Projects Redevelopment
Advances to Other Funds:	
General Fund	\$ 3,738,100

During the current and previous fiscal years, the City of Imperial Beach has made loans to the Agency. These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The City may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated with the next fiscal year. As of June 30, 2010, loans made from the General Fund to the Redevelopment Agency Capital Projects Fund, including accrued unpaid interest owed on those loans, were \$3,738,100.

Interfund Transfers

	Transfers In					Total
	General Fund	Capital Projects Redevelopment	Sewer Fund	Nonmajor Governmental Funds	Internal Service Funds	
Transfers Out:						
General Fund	\$ -	\$ -	\$ 628,000	\$ 18,000	\$ 25,000	\$ 671,000
Debt Service Redevelopment	-	4,630,200	-	-	-	4,630,200
Nonmajor Governmental Funds	625,245	-	-	-	-	625,245
Internal Service Fund	-	-	276,000	-	-	276,000
	<u>\$ 625,245</u>	<u>\$ 4,630,200</u>	<u>\$ 904,000</u>	<u>\$ 18,000</u>	<u>\$ 25,000</u>	<u>\$ 6,202,445</u>

Transfers were made to fund capital projects in the Non-major funds and to reimburse the General Fund and the Non-major Funds for expenditures incurred for grants and special revenue fund programs.

Note 7: Deferred Revenue and Unearned Revenue

General Fund deferred revenue of \$145,342 relates to sales tax revenue accrued but not yet received within the recognition periods.

General Fund unearned revenue consists of \$760,000 relating to a lease with the Unified Port District of San Diego and \$125,192 of other miscellaneous grant revenues received but not earned. The City entered into an agreement with the Port District in 1993 whereby the Port District leases the Pier Plaza and a parking lot from the city. The District paid the City \$1,800,000 at the beginning of the lease. Each year of the 30-year contract, the City recognizes \$60,000 of income and reduces the unearned revenue. As of June 30, 2010, \$760,000 remains of this unearned lease revenue.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 8: Long-Term Debt

a. Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
Compensated Absences	\$ 711,673	\$ 387,492	\$ 364,987	\$ 734,178	\$ 256,473
Tax Allocation Bonds	19,805,000	-	430,000	19,375,000	450,000
Claims & Judgments	511,019	111,040	231,736	390,323	159,169
Net OPEB Obligation	-	53,507	4,858	48,649	-
	<u>\$ 21,027,692</u>	<u>\$ 552,039</u>	<u>\$ 1,031,581</u>	20,548,150	<u>\$ 865,642</u>
			Less: Unamortized discount	<u>253,682</u>	
			Net Long-Term Debt	<u>\$ 20,294,468</u>	

Tax Allocation Bonds

In December 2003, the Imperial Beach Public Financing Authority issued \$22,765,000 Tax Allocation Revenue Bonds, 2003 Series A. The proceeds of the bonds were loaned to the Imperial Beach Redevelopment Agency to fund redevelopment activities, to provide for a reserve fund and to provide for the costs of issuance of the bonds. Although the bonds were issued by the Authority and loaned to the Redevelopment Agency, the loan transaction has been eliminated from these financial statements, as the Public Financing Authority does not have its own financial statements or fund, and certain revenues of the Redevelopment Agency are pledged for repayment of the debt. Interest on the bonds is payable semiannually and principal payments are due annually. Debt service payments occur from June 1, 2004 through June 1, 2033. Interest rates on the bonds range from 1.75% to 6.10% per annum.

Debt Service Repayment Schedule

Debt service payments on the tax allocation bonds are as follows:

	2003 Tax Allocation Bonds, Series A	
	Principal	Interest
2010-2011	\$ 450,000	\$ 1,102,329
2011-2012	470,000	1,083,204
2012-2013	490,000	1,061,584
2013-2014	510,000	1,037,574
2014-2015	540,000	1,012,074
2015-2020	3,150,000	4,609,099
2020-2025	4,140,000	3,613,493
2025-2030	5,485,000	2,256,713
2030-2035	4,140,000	506,100
Totals	<u>\$ 19,375,000</u>	<u>\$ 16,282,170</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 8: Long-Term Debt (Continued)

The Agency's has pledged, as security for tax allocation bonds it has issued, a portion of tax increment revenues, including Low and Moderate Income Housing set-aside that it receives. These bonds were to provide financing for various capital projects and to accomplish Low and Moderate Income Housing projects. The Agency has committed to appropriate each year, from these resources amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$35,657,170 with debt service requirements as indicated below. For the current year, the total tax increment revenue, net of pass through payments, recognized by the Agency was \$5,818,362 and the debt service obligation on the bonds was \$1,548,454.

b. Proprietary Fund Long-Term Debt

The following is a summary of changes in Proprietary Fund long-term debt for the year ended June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Enterprise Fund:					
Compensated absences	\$ 45,216	\$ 22,148	\$ 14,037	\$ 53,327	\$ 14,037

c. Special Assessment Bonds

The City has four assessment districts that issued bonds from 1981 through 2004 that are outstanding with no City obligation. The bonds were issued to finance alley paving within the City. The bonds are secured by the unpaid assessments levied against the private property within the assessment districts. The bonds are not general obligations of the City, and neither the faith and credit, nor the taxing power of the City, is pledged to the payment of the bonds.

The liability of property owners for unpaid principal assessments at June 30, 2010, was \$192,000. This bond liability has not been recorded in the accompanying financial statements in compliance with GASB Statement No. 6.

d. Limited Obligation Improvement Bonds

On March 21, 2005 the City of Imperial Beach Assessment District No. 71 issued \$70,000 in limited obligation improvement bonds with interest rates varying from 5.00% to 5.50% pursuant to the provisions of the Improvement Bond Act of 1915. The bonds were issued to finance certain public improvements to benefit property within the City's Assessment District No. 71. The issues described above are not reflected in the liabilities on the statement of net assets because they are special obligations payable solely from and secured by specific revenue sources described in the resolutions and official statement of the issues. Neither faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof is pledged for the payment of these bonds.

IV. OTHER INFORMATION

Note 9: City Employees Retirement Plan (Defined Benefit Pension Plan)

Plan Description

The City of Imperial Beach contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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 CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 13.175% for miscellaneous employees, 15.000% for fire employees and 26.323% for ocean lifeguards, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2010, the City's annual pension cost of \$865,747 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method.

Three-Year Trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Miscellaneous Members</u>			
6/30/2008	\$ 450,619	100%	\$ -
6/30/2009	462,229	100%	-
6/30/2010	446,820	100%	-
<u>Safety Members</u>			
6/30/2008	\$ 320,046	100%	\$ -
6/30/2009	381,854	100%	-
6/30/2010	418,927	100%	-

For fiscal year 2009-2010, the City participated in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 9: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool.

Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date, starting with the June 30, 2003 valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

Note 10: Other Post Employment Benefits

Plan Description

The City provides other postemployment benefits (OPEB) through a single-employer defined benefit healthcare plan by contributing up to a maximum of \$75.75 per month for of all premiums charged under the health benefit plan for all eligible employees and qualified family members. These benefits are provided per contract between the City and the employee associations. A separate financial report is not available for the plan.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or employee associations. Currently, contributions are not required from plan members. A contribution of \$4,858 was made during the 2009-2010 fiscal year and was not included in the September 1, 2009, actuarial study. The purpose of the contribution was to pay current year premiums for retirees.

As a result, the City calculated and recorded a Net OPEB Liability, representing the difference between the Annual Required Contribution (ARC) and actual contributions, as presented below:

Annual required contribution (ARC) *	
Adjustment to ARC	\$ 25,178
Interest on net OPEB obligation	1,409
Adjustments to ARC	(1,258)
Annual OPEB cost	25,329
Contributions made	(4,858)
(Decrease) increase in Net OPEB obligation	20,471
Net OPEB obligation (asset) - beginning of year	28,178
Net OPEB obligation (asset) - end of year	<u>\$ 48,649</u>

* The actuarial valuation was valued at September 1, 2009. The ARC for fiscal year 2009-2010 was estimated at the same amount to be conservative.

The contribution rate of 9.3% is based on the ARC of \$25,178 an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 10: Other Post Employment Benefits (Continued)

annual normal cost and the amortization of unfunded actuarial liabilities (or funding excess) over a thirty year period.

For the fiscal year 2009-2010, the City's annual OPEB cost (expense) of \$4,858 was less than the ARC. Since this fiscal year is the transition year, information on the annual OPEB cost, percentage of Annual OPEB cost contributed, and Net OPEB Obligation is only available for the current fiscal year, as presented below:

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2008-2009, and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2008	N/A	N/A	N/A	N/A
6/30/2009	\$ 31,066	\$ 2,888	9.30%	\$ 28,178
6/30/2010	25,329	4,858	19.18%	48,649

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Only one year is presented as this is the first year of the plan.

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Actuarial Accrued Liability	Funded Ratio	Interest Rate	Salary Scale
Actual	9/1/2009	\$ -	\$ 238,144	\$ 238,144	0.0%	5.00%	5.00%

* The actuarial valuation was valued at September 1, 2009. The actuarial accrued liability is based on a revised valuation dated December 24, 2009.

Actuarial Methods and Assumptions

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 10: Other Post Employment Benefits (Continued)

of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 1, 2009, actuarial valuation, the level percentage of payroll actuarial cost method was used. The actuarial assumptions include a 5% investment rate of return, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and annual healthcare cost trend rate of 4%. The actuarial value of assets is set equal to the reported market value of assets. The UAAL is being amortized as a level dollar on an open basis. The remaining amortization period at June 30, 2010, was twenty-nine years. The number of active participants is 76.

Note 11: Self-Insurance Program

General Liability

On August 8, 1990, the City became one of twelve (12) members of the San Diego Pooled Insurance Program Authority (SANDPIPA) and San Diego County Cities Risk Management Authority (SDCCRMA). These organizations were created by a joint powers authority (JPA) to provide liability, property and casualty coverage to its members. Under the joint powers agreement SANDPIPA provides liability insurance coverage for the City for the difference between \$2,000,000 and the individual self-insured retention of \$125,000 each occurrence, \$15,000,000 annual aggregate for the pool. Commercial excess liability insurance is provided from the \$2,000,000 up to \$35,000,000 per occurrence. The premiums billed by the JPA to member cities are planned to match the expenses of the self-insurance as well as the cost of providing the excess layer coverage and the cost of administering the plan.

In addition to its coverage through the JPA, effective July 1, 1993, the San Diego Unified Port District agreed to fund an Escrow Reserve Account of \$300,000 for the purpose of reimbursing the City for any claim costs not covered by the JPA insurance, provided they are directly related to services provided to the District and arising from incidents actually occurring on tidelands and/or lands leased by the City to the District.

Workers Compensation

The City is a member of CSAC Excess Insurance Authority. The City is self-insured for the first \$125,000 of workers' compensation claims. Claims between \$125,000 and \$5,000,000 are covered through the City's risk sharing membership in CSAC. Claims between \$5,000,000 and \$300,000,000 are covered by excess purchased insurance.

The City established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risk of loss when it became a member of SANDPIPA, SDCCRMA and CSAC for liability, property casualty and workers compensation coverage. All funds of the City participate in the program and make payments to the Self-Insurance Fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. The estimated claims liability of \$390,323 reported at June 30, 2010, is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The above amount includes an estimate for incurred but not reported claims.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 11: Self-Insurance Program (Continued)

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

Changes in the reported liability for the last two fiscal years are as follows:

	<u>2008-2009</u>	<u>2009-2010</u>
Claims outstanding at beginning of year	\$ 382,436	\$ 511,019
Claims and changes in estimates	250,458	111,040
Claim payments	<u>(121,875)</u>	<u>(231,736)</u>
Claims outstanding at end of year	<u>\$ 511,019</u>	<u>\$ 390,323</u>

Note 12: Contingencies

Litigation

The City is involved in various lawsuits of which the outcome was undetermined as of June 30, 2010. No amount has been accrued for these contingent amounts.

Major Service Contracts

The San Diego Unified Port District owns the beachfront and bayfront in the City of Imperial Beach. Starting in fiscal year 1989-1990, the City entered into a contractual agreement with the San Diego Unified Port District, whereby the Port District provides reimbursement to the City for costs incurred in the maintenance and public safety services for the over two million visitors to the Port's beach area. In July 2009, the City entered into a new contract with the San Diego Unified Port District whereby the Port District will provide reimbursement to the City for costs incurred relative to the beachfront from July 1, 2009 through June 30, 2012. This is a renewal of the previous contract which ended June 30, 2009. The new contract provides for cost reimbursement to the City of an amount not to exceed \$5,118,213 through June 30, 2012. A failure to renew the agreement either through the Port District's unwillingness or inability to do so would result in the City adjusting expenditures and service levels to meet the Port's level of reimbursement. There is no indication of any proposed substantial change to this contractual relationship. In fiscal year 2009-2010 the City received \$3,452,808 or 20% of its general fund revenue from the Port District.

In September 2010, there was an amendment to the original agreement which increased the cost reimbursement to the City for an additional \$43,784, for an amount not to exceed of \$5,161,997 through June 30, 2012.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 13: Fund Equity

a. Fund Equity and Net Assets Restatements

Beginning fund balance has been restated as follows:

Governmental Funds:	
Capital Projects Fund	
To restate prior year accounts payable	\$ 53,367
	<u>\$ 53,367</u>
Proprietary Funds:	
Sewer Fund	
To properly record capital assets	\$ 101,478
To close out a fund that was no longer in use	23
	<u>\$ 101,501</u>
Internal Service Funds:	
Vehicle Replacement and Maintenance Fund	
To properly record capital assets	\$ 38,974
Self-Insurance	
To properly record worker's compensation	120,696
Technology and Communication	
To properly record capital assets	15,057
	<u>\$ 174,727</u>
Net assets have been restated as follows:	
Governmental Activities	
Restatements from above	\$ 53,367
Capital asset restatements	(435,496)
Internal services restatements from above	174,727
	<u>\$ (207,402)</u>
Business-Type Activities	
Enterprise fund restatements from above	<u>\$ 101,501</u>

Note 14: Property Tax

Property tax revenue is recognized on the basis of NCGA Interpretation No. 3; (adopted by GASB) that is, in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of San Diego collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. 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.

Note 15: Subsequent Events

a) Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Imperial Beach was \$333,341.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

b) Delay of State Gas Tax Payments

In March 2010, the State Legislature passed legislation delaying a variety of State payments to local agencies in response to anticipated State cash flow problems in fiscal year 2010-2011. AB5 8x contains provisions to delay a portion (approximately 60%) of the payments of State Gas Tax monies for the first nine months of 2010-2011 (July 2010 through March 2011) to be paid no later than April 28, 2011.

c) SERAF Shift for fiscal year 2009-2010 and 2010-2011

On July 23, 2009, the State adopted legislation, requiring a shift of monies during fiscal years 2009-2010 and 2010-2011 to be deposited into the County "Supplemental" Educational Revenue Augmentation Fund (SERAF). These monies were to be distributed to meet the State's Prop 98 obligations to schools. The California Redevelopment Association (CRA) and its member agencies filed a legal action in an attempt to stop these amounts from having to be paid; however, in May 2010, the Sacramento Superior Court upheld the legislation. This decision is in the process of being appealed by CRA and its member agencies.

The payment of the SERAF was due on May 10, 2010, for fiscal year 2009-2010 and it was made in the amount of \$2,667,492. The legislation allowed this payment to be made from any available monies present in any project area(s). Subsequent legislation was passed which even allowed the funding for this payment to be borrowed from the Low and Moderate Income Housing Fund with appropriate findings from its legislative body.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 15: Subsequent Events (Continued)

Any amounts borrowed from Low and Moderate Income Housing (including any suspended set-aside amounts) are to be repaid by June 30, 2015. If those amounts are not repaid, by that date, then the set-aside percentage to Low and Moderate Income Housing will increase from 20% to 25% for the remainder of the life of the Agency.

To accomplish the payment, the Agency utilized \$2,667,492 from its "non-housing" available resource. In the accompanying financial statements, the amount paid to the County has been reported as a use of current year resources.

It is estimated that the Agency's share of the SERAF shift for fiscal year 2010-2011 will amount to approximately \$548,663 and this amount will be payable in May 2011 if the appeal is not successful.

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	<u>Special Revenue Funds</u>			
	<u>Gas Tax</u>	<u>Prop A Tax</u>	<u>Residential Construction</u>	<u>CDBG Grant</u>
Assets:				
Pooled cash and investments	\$ 1,191,765	\$ 107,106	\$ 185,424	\$ -
Due from other governments	118,964	-	-	32,602
Total Assets	<u>\$ 1,310,729</u>	<u>\$ 107,106</u>	<u>\$ 185,424</u>	<u>\$ 32,602</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 14,390	\$ -	\$ 4,500
Accrued liabilities	-	218	-	1,247
Deferred revenues	-	-	-	4,500
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	43,116
Total Liabilities	<u>-</u>	<u>14,608</u>	<u>-</u>	<u>53,363</u>
Fund Balances:				
Reserved:				
Reserved for encumbrances	8	7,925	-	15,500
Unreserved:				
Undesignated	1,310,721	84,573	185,424	(36,261)
Total Fund Balances	<u>1,310,729</u>	<u>92,498</u>	<u>185,424</u>	<u>(20,761)</u>
Total Liabilities and Fund Balances	<u>\$ 1,310,729</u>	<u>\$ 107,106</u>	<u>\$ 185,424</u>	<u>\$ 32,602</u>

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

(Continued)

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Assets:				
Pooled cash and investments	\$ -	\$ 101,431	\$ 37,439	\$ 109
Due from other governments	100,000	-	-	-
Total Assets	\$ 100,000	\$ 101,431	\$ 37,439	\$ 109
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 31,098	\$ -	\$ 3,870	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	80,231	-	-
Due to other funds	69,028	-	-	-
Total Liabilities	100,126	80,231	3,870	-
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	-	-
Unreserved:				
Undesignated	(126)	21,200	33,569	109
Total Fund Balances	(126)	21,200	33,569	109
Total Liabilities and Fund Balances	\$ 100,000	\$ 101,431	\$ 37,439	\$ 109

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
	<u>Parks Grant Fund</u>	<u>Prop 1B</u>	<u>Capital Projects</u>	
Assets:				
Pooled cash and investments	\$ 91	\$ 21,187	\$ -	\$ 1,644,552
Due from other governments	-	-	-	251,566
Total Assets	\$ 91	\$ 21,187	\$ -	\$ 1,896,118
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 53,858
Accrued liabilities	-	-	-	1,465
Deferred revenues	-	-	-	4,500
Unearned revenues	-	-	-	80,231
Due to other funds	-	-	-	112,144
Total Liabilities	-	-	-	252,198
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	-	23,433
Unreserved:				
Undesignated	91	21,187	-	1,620,487
Total Fund Balances	91	21,187	-	1,643,920
Total Liabilities and Fund Balances	\$ 91	\$ 21,187	\$ -	\$ 1,896,118

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CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			
	Gas Tax	Prop A Tax	Residential Construction	CDBG Grant
Revenues:				
Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	4,100	-
Intergovernmental	729,577	-	-	118,479
Charges for services	-	8,160	-	-
Use of money and property	12,534	4,455	2,066	(176)
Total Revenues	742,111	12,615	6,166	118,303
Expenditures:				
Current:				
General government	-	-	-	11,127
Public safety	-	-	-	-
Parks, recreation and senior center	-	-	-	-
Public works	596	5,404	-	-
Capital outlay	180	85,140	-	25,873
Total Expenditures	776	90,544	-	37,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	741,335	(77,929)	6,166	81,303
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(212,167)	(291,105)	-	-
Total Other Financing Sources (Uses)	(212,167)	(291,105)	-	-
Net Change in Fund Balances	529,168	(369,034)	6,166	81,303
Fund Balances, Beginning of Year	781,561	461,532	179,258	(102,064)
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	781,561	461,532	179,258	(102,064)
Fund Balances, End of Year	\$ 1,310,729	\$ 92,498	\$ 185,424	\$ (20,761)

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

(Continued)

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Revenues:				
Assessments	\$ -	\$ -	\$ 10,270	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	139,269	5,536	-	-
Charges for services	-	-	-	-
Use of money and property	(1,140)	(2,966)	289	11
Total Revenues	138,129	2,570	10,559	11
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	68,744	4,616	-	-
Parks, recreation and senior center	-	-	24,928	-
Public works	-	-	-	-
Capital outlay	-	1,788	-	-
Total Expenditures	68,744	6,404	24,928	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	69,385	(3,834)	(14,369)	11
Other Financing Sources (Uses):				
Transfers in	-	-	18,000	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	18,000	-
Net Change in Fund Balances	69,385	(3,834)	3,631	11
Fund Balances, Beginning of Year	(69,511)	25,034	29,938	98
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	(69,511)	25,034	29,938	98
Fund Balances, End of Year	\$ (126)	\$ 21,200	\$ 33,569	\$ 109

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	Special Revenue Fund		Capital Projects Fund	Total Governmental Funds
	Parks Grant Fund	Prop 1B	Capital Projects	
Revenues:				
Assessments	\$ -	\$ -	\$ -	\$ 10,270
Licenses and permits	-	-	-	4,100
Intergovernmental	-	-	-	992,861
Charges for services	-	-	-	8,160
Use of money and property	4	(230)	-	14,847
Total Revenues	4	(230)	-	1,030,238
Expenditures:				
Current:				
General government	-	-	-	11,127
Public safety	-	-	-	73,360
Parks, recreation and senior center	-	-	-	24,928
Public works	-	-	-	6,000
Capital outlay	-	1,201	-	114,182
Total Expenditures	-	1,201	-	229,597
Excess (Deficiency) of Revenues Over (Under) Expenditures	4	(1,431)	-	800,641
Other Financing Sources (Uses):				
Transfers in	-	-	-	18,000
Transfers out	-	-	(121,973)	(625,245)
Total Other Financing Sources (Uses)	-	-	(121,973)	(607,245)
Net Change in Fund Balances	4	(1,431)	(121,973)	193,396
Fund Balances, Beginning of Year	87	22,618	68,606	1,397,157
Restatements	-	-	53,367	53,367
Fund Balances, Beginning of Year, as Restated	87	22,618	121,973	1,450,524
Fund Balances, End of Year	\$ 91	\$ 21,187	\$ -	\$ 1,643,920

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE

GAS TAX

YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 781,561	\$ 781,561	\$ 781,561	\$ -
Resources (Inflows):				
Intergovernmental	521,000	2,051,002	729,577	(1,321,425)
Use of money and property	15,000	15,000	12,534	(2,466)
Amounts Available for Appropriation	1,317,561	2,847,563	1,523,672	(1,323,891)
Charges to Appropriation (Outflow):				
Public works	-	-	596	(596)
Capital outlay	-	-	180	(180)
Transfers to other funds	659,646	659,646	212,167	447,479
Total Charges to Appropriations	659,646	659,646	212,943	446,703
Budgetary Fund Balance, June 30	\$ 657,915	\$ 2,187,917	\$ 1,310,729	\$ (877,188)

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
PROP A TAX
YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 461,532	\$ 461,532	\$ 461,532	\$ -
Resources (Inflows):				
Intergovernmental	658,000	658,000	-	(658,000)
Charges for services	-	-	8,160	8,160
Use of money and property	20,000	20,000	4,455	(15,545)
Amounts Available for Appropriation	1,139,532	1,139,532	474,147	(665,385)
Charges to Appropriation (Outflow):				
Public works	-	460,600	5,404	455,196
Capital outlay	-	-	85,140	(85,140)
Transfers to other funds	197,400	197,400	291,105	(93,705)
Total Charges to Appropriations	197,400	658,000	381,649	276,351
Budgetary Fund Balance, June 30	\$ 942,132	\$ 481,532	\$ 92,498	\$ (389,034)

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
RESIDENTIAL CONSTRUCTION
YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 179,258	\$ 179,258	\$ 179,258	\$ -
Resources (Inflows):				
Licenses and permits	15,000	15,000	4,100	(10,900)
Use of money and property	5,000	5,000	2,066	(2,934)
Amounts Available for Appropriation	199,258	199,258	185,424	(13,834)
Budgetary Fund Balance, June 30	\$ 199,258	\$ 199,258	\$ 185,424	\$ (13,834)

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 CDBG GRANT
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (102,064)	\$ (102,064)	\$ (102,064)	\$ -
Resources (Inflows):				
Intergovernmental	140,000	140,000	118,479	(21,521)
Use of money and property	-	-	(176)	(176)
Amounts Available for Appropriation	37,936	37,936	16,239	(21,697)
Charges to Appropriation (Outflow):				
General government	-	63,170	11,127	52,043
Capital outlay	-	-	25,873	(25,873)
Total Charges to Appropriations	-	63,170	37,000	26,170
Budgetary Fund Balance, June 30	\$ 37,936	\$ (25,234)	\$ (20,761)	\$ 4,473

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (69,511)	\$ (69,511)	\$ (69,511)	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	139,269	39,269
Use of money and property	1,000	1,000	(1,140)	(2,140)
Amounts Available for Appropriation	31,489	31,489	68,618	37,129
Charges to Appropriation (Outflow):				
Public safety	-	100,000	68,744	31,256
Total Charges to Appropriations	-	100,000	68,744	31,256
Budgetary Fund Balance, June 30	\$ 31,489	\$ (68,511)	\$ (126)	\$ 68,385

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 LIGHTING DISTRICT #67
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 29,938	\$ 29,938	\$ 29,938	\$ -
Resources (Inflows):				
Assessments	12,000	12,000	10,270	(1,730)
Use of money and property	-	-	289	289
Transfers from other funds	18,000	18,000	18,000	-
Amounts Available for Appropriation	59,938	59,938	58,497	(1,441)
Charges to Appropriation (Outflow):				
Parks and recreation	30,000	30,000	24,928	5,072
Total Charges to Appropriations	30,000	30,000	24,928	5,072
Budgetary Fund Balance, June 30	\$ 29,938	\$ 29,938	\$ 33,569	\$ 3,631

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
HOUSING REDEVELOPMENT
YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 10,284,041	\$ 10,284,041	\$ 10,284,041	\$ -
Resources (Inflows):				
Taxes	1,554,000	1,554,000	1,455,458	(98,542)
Use of money and property	206,500	206,500	74,238	(132,262)
Transfers in	3,500,000	3,500,000	-	(3,500,000)
Amounts Available for Appropriation	15,544,541	15,544,541	11,813,737	(3,730,804)
Charges to Appropriation (Outflow):				
General government	247,759	3,712,837	1,233,139	2,479,698
Debt service:				
Principal retirement	83,000	83,000	86,000	(3,000)
Interest and fiscal charges	226,554	226,554	223,691	2,863
Transfers out	-	3,420,000	-	3,420,000
Total Charges to Appropriations	557,313	7,442,391	1,542,830	5,899,561
Budgetary Fund Balance, June 30	\$ 14,987,228	\$ 8,102,150	\$ 10,270,907	\$ 2,168,757

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS RDA
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 9,369,038	\$ 9,369,038	\$ 9,369,038	\$ -
Resources (Inflows):				
Charges for services	16,300	16,300	16,300	-
Use of money and property	100,000	100,000	312,796	212,796
Miscellaneous	-	-	8,695	8,695
Transfers in	3,650,000	3,650,000	4,630,200	980,200
Amounts Available for Appropriation	13,135,338	13,135,338	14,337,029	1,201,691
Charges to Appropriation (Outflow):				
General government	1,708,627	5,983,011	5,012,118	970,893
Capital outlay	398,350	3,065,842	273,438	2,792,404
Total Charges to Appropriations	2,106,977	9,048,853	5,285,556	3,763,297
Budgetary Fund Balance, June 30	\$ 11,028,361	\$ 4,086,485	\$ 9,051,473	\$ 4,964,988

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE RDA
YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,604,348	\$ 5,604,348	\$ 5,604,348	\$ -
Resources (Inflows):				
Taxes	4,724,850	4,724,850	4,306,527	(418,323)
Use of money and property	229,000	229,000	38,712	(190,288)
Transfers in	980,200	980,200	-	(980,200)
Amounts Available for Appropriation	11,538,398	11,538,398	9,949,587	(1,588,811)
Charges to Appropriation (Outflow):				
General government	9,500	9,500	20,233	(10,733)
Debt service:				
Principal retirement	340,000	340,000	344,000	(4,000)
Interest and fiscal charges	1,333,090	1,333,090	1,343,335	(10,245)
Transfers out	4,630,200	4,630,200	4,630,200	-
Total Charges to Appropriations	6,312,790	6,312,790	6,337,768	(24,978)
Budgetary Fund Balance, June 30	\$ 5,225,608	\$ 5,225,608	\$ 3,611,819	\$ (1,613,789)

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2010

	Governmental Activities - Internal Service Funds		
	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication
Assets:			
Current:			
Cash and investments	\$ 1,422,086	\$ 3,352,508	\$ 663,780
Due from other agencies	17,160	72,538	-
Inventories	3,083	-	-
Total Current Assets	1,442,329	3,425,046	663,780
Noncurrent:			
Capital assets - net of accumulated depreciation	847,027	-	36,082
Total Noncurrent Assets	847,027	-	36,082
Total Assets	\$ 2,289,356	\$ 3,425,046	\$ 699,862
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 12,378	\$ 8,402	\$ 15,892
Accrued liabilities	5,802	2,629	4,167
Accrued compensated absences	10,865	3,337	2,866
Accrued claims and judgments	-	159,169	-
Total Current Liabilities	29,045	173,537	22,925
Noncurrent:			
Accrued compensated absences	28,890	4,661	2,866
Accrued claims and judgments	-	231,154	-
Total Noncurrent Liabilities	28,890	235,815	2,866
Total Liabilities	57,935	409,352	25,791
Net Assets:			
Invested in capital assets, net of related debt	847,027	-	36,082
Unrestricted	1,384,394	3,015,694	637,989
Total Net Assets	2,231,421	3,015,694	674,071
Total Liabilities and Net Assets	\$ 2,289,356	\$ 3,425,046	\$ 699,862

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2010

	Governmental Activities - Internal Service Funds	
	Facilities Repair & Maintenance	Totals
Assets:		
Current:		
Cash and investments	\$ 331,819	\$ 5,770,193
Due from other agencies	-	89,698
Inventories	-	3,083
Total Current Assets	331,819	5,862,974
Noncurrent:		
Capital assets - net of accumulated depreciation	-	883,109
Total Noncurrent Assets	-	883,109
Total Assets	\$ 331,819	\$ 6,746,083
Liabilities and Net Assets:		
Liabilities:		
Current:		
Accounts payable	\$ -	\$ 36,672
Accrued liabilities	118	12,716
Accrued compensated absences	-	17,068
Accrued claims and judgments	-	159,169
Total Current Liabilities	118	225,625
Noncurrent:		
Accrued compensated absences	-	36,417
Accrued claims and judgments	-	231,154
Total Noncurrent Liabilities	-	267,571
Total Liabilities	118	493,196
Net Assets:		
Invested in capital assets, net of related debt	-	883,109
Unrestricted	331,701	5,369,778
Total Net Assets	331,701	6,252,887
Total Liabilities and Net Assets	\$ 331,819	\$ 6,746,083

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Funds		
	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication
Operating Revenues:			
Sales and service charges	\$ 361,032	\$ 620,606	\$ 335,708
Miscellaneous	115,911	76,740	-
Total Operating Revenues	476,943	697,346	335,708
Operating Expenses:			
Services and supplies	238,019	28,533	240,362
Claims expense	-	385,877	-
Depreciation expense	132,667	-	32,903
Personnel and administrative	246,822	96,210	176,727
Total Operating Expenses	617,508	510,620	449,992
Operating Income (Loss)	(140,565)	186,726	(114,284)
Nonoperating Revenues (Expenses):			
Interest revenue	15,048	38,007	6,712
Gain (loss) on disposal of capital assets	-	-	299
Total Nonoperating Revenues (Expenses)	15,048	38,007	7,011
Income (Loss) Before Transfers	(125,517)	224,733	(107,273)
Transfers in	-	-	-
Transfers out	-	(276,000)	-
Changes in Net Assets	(125,517)	(51,267)	(107,273)
Net Assets:			
Beginning of Year, as originally reported	2,317,964	2,946,265	766,287
Restatements	38,974	120,696	15,057
Beginning of Fiscal Year, as restated	2,356,938	3,066,961	781,344
End of Fiscal Year	\$ 2,231,421	\$ 3,015,694	\$ 674,071

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES, EXPENSE
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Funds	
	Facilities Repair & Maintenance	Totals
Operating Revenues:		
Sales and service charges	\$ -	\$ 1,317,346
Miscellaneous	-	192,651
Total Operating Revenues	-	1,509,997
Operating Expenses:		
Services and supplies	30,647	537,561
Claims expense	-	385,877
Depreciation expense	-	165,570
Personnel and administrative	1,683	521,442
Total Operating Expenses	32,330	1,610,450
Operating Income (Loss)	(32,330)	(100,453)
Nonoperating Revenues (Expenses):		
Interest revenue	4,082	63,849
Gain (loss) on disposal of capital assets	-	299
Total Nonoperating Revenues (Expenses)	4,082	64,148
Income (Loss) Before Transfers	(28,248)	(36,305)
Transfers in	25,000	25,000
Transfers out	-	(276,000)
Changes in Net Assets	(3,248)	(287,305)
Net Assets:		
Beginning of Year, as originally reported	334,949	6,365,465
Restatements	-	174,727
Beginning of Fiscal Year, as restated	334,949	6,540,192
End of Fiscal Year	\$ 331,701	\$ 6,252,887

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Governmental Activities - Internal Service Funds</u>		
	<u>Vehicle Replacement & Maintenance</u>	<u>Self-Insurance</u>	<u>Technology & Communication</u>
Cash Flows from Operating Activities:			
Cash received from interfund service provided	\$ 475,647	\$ 633,641	\$ 335,708
Cash paid to suppliers for goods and services	(236,323)	(419,266)	(254,654)
Cash paid to employees for services	(245,763)	(100,943)	(175,144)
Net Cash Provided (Used) by Operating Activities	(6,439)	113,432	(94,090)
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	-	(276,000)	-
Cash transfers in	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	-	(276,000)	-
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	-	299
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	299
Cash Flows from Investing Activities:			
Interest received	15,048	38,007	6,712
Net Cash Provided (Used) by Investing Activities	15,048	38,007	6,712
Net Increase (Decrease) in Cash and Cash Equivalents	8,609	(124,561)	(87,079)
Cash and Cash Equivalents at Beginning of Year	1,413,477	3,477,069	750,859
Cash and Cash Equivalents at End of Year	\$ 1,422,086	\$ 3,352,508	\$ 663,780
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (140,565)	\$ 186,726	\$ (114,284)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	132,667	-	32,903
(Increase) decrease in accounts receivable	-	6,222	-
(Increase) decrease in due from other governments	(1,296)	(69,927)	-
Increase (decrease) in accounts payable	1,696	(4,856)	(14,292)
Increase (decrease) in accrued liabilities	411	(4,145)	819
Increase (decrease) in compensated absences	648	(588)	764
Total Adjustments	134,126	(73,294)	20,194
Net Cash Provided (Used) by Operating Activities	\$ (6,439)	\$ 113,432	\$ (94,090)

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

**Governmental Activities - Internal
Service Funds**

	Facilities Repair & Maintenance	Totals
Cash Flows from Operating Activities:		
Cash received from interfund service provided	\$ -	\$ 1,444,996
Cash paid to suppliers for goods and services	(30,647)	(940,890)
Cash paid to employees for services	(1,565)	(523,415)
Net Cash Provided (Used) by Operating Activities	(32,212)	(19,309)
Cash Flows from Non-Capital Financing Activities:		
Cash transfers out	-	(276,000)
Cash transfers in	25,000	25,000
Net Cash Provided (Used) by Non-Capital Financing Activities	25,000	(251,000)
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	-	299
Net Cash Provided (Used) by Capital and Related Financing Activities	-	299
Cash Flows from Investing Activities:		
Interest received	4,082	63,849
Net Cash Provided (Used) by Investing Activities	4,082	63,849
Net Increase (Decrease) in Cash and Cash Equivalents	(3,130)	(206,161)
Cash and Cash Equivalents at Beginning of Year	334,949	5,976,354
Cash and Cash Equivalents at End of Year	\$ 331,819	\$ 5,770,193
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (32,330)	\$ (100,453)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	-	165,570
(Increase) decrease in accounts receivable	-	6,222
(Increase) decrease in due from other governments	-	(71,223)
Increase (decrease) in accounts payable	-	(17,452)
Increase (decrease) in accrued liabilities	118	(2,797)
Increase (decrease) in compensated absences	-	824
Total Adjustments	118	81,144
Net Cash Provided (Used) by Operating Activities	\$ (32,212)	\$ (19,309)

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Special Assessment Districts</u>				
Assets:				
Cash and investments	\$ 580,466	\$ 75,025	\$ 102,800	\$ 552,691
Total Assets	<u>\$ 580,466</u>	<u>\$ 75,025</u>	<u>\$ 102,800</u>	<u>\$ 552,691</u>
Liabilities:				
Due to bondholders	\$ 580,466	\$ 161,360	\$ 189,135	\$ 552,691
Total Liabilities	<u>\$ 580,466</u>	<u>\$ 161,360</u>	<u>\$ 189,135</u>	<u>\$ 552,691</u>