

CITY OF IMPERIAL BEACH, CALIFORNIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

Prepared By:
FINANCE DEPARTMENT

CITY OF IMPERIAL BEACH, CALIFORNIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

CITY OF IMPERIAL BEACH
 FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of 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 City of Imperial Beach, California, (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 the 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable thereof, and the budgetary comparison for the General Fund and Housing Authority Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 14 – "Successor Agency Trust for Assets of the Former Redevelopment Agency". The note provides information on the dissolution of the Redevelopment Agency and the new formed Successor Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 of Imperial Beach, California's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Lance, Soll & Loughard, LLP

Brea, California
March 25, 2013

CITY OF IMPERIAL BEACH

STATEMENT OF NET ASSETS
 JUNE 30, 2012

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and investments	\$ 29,830,403	\$ 3,163,884	\$ 32,994,287
Receivables:			
Accounts	848,432	60,206	908,638
Notes and loans	7,579,393	-	7,579,393
Accrued interest	17,704	-	17,704
Internal balances	614,596	(614,596)	-
Due from other governments	2,826,013	314,333	3,140,346
Inventories	3,705	-	3,705
Land held for resale	330,691	-	330,691
Due from Successor Agency	5,201,879	-	5,201,879
Capital assets not being depreciated	20,358,845	1,198,690	21,557,535
Capital assets, net of depreciation	18,373,875	4,776,200	23,150,075
Total Assets	85,985,536	8,898,717	94,884,253
Liabilities:			
Accounts payable	3,759,552	114,541	3,874,093
Accrued liabilities	401,098	37,590	438,688
Unearned revenue	734,524	-	734,524
Deposits payable	302,050	-	302,050
Noncurrent liabilities:			
Due within one year	505,325	15,251	520,576
Due in more than one year	1,715,450	39,901	1,755,351
Total Liabilities	7,417,999	207,283	7,625,282
Net Assets:			
Invested in capital assets, net of related debt	38,732,720	5,974,890	44,707,610
Restricted for:			
Public safety	16,223	-	16,223
Highways and streets	1,588,781	-	1,588,781
Community development projects	13,666,212	-	13,666,212
Capital projects	1,091,420	-	1,091,420
Unrestricted	23,472,181	2,716,544	26,188,725
Total Net Assets	\$ 78,567,537	\$ 8,691,434	\$ 87,258,971

CITY OF IMPERIAL BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	
Primary Government:				
Governmental Activities:				
General government	\$ 6,920,361	\$ 1,286,013	\$ 184,863	\$ -
Public safety	10,225,563	615,792	4,140,737	-
Parks, recreation and senior center	1,801,908	42,090	-	-
Public works	3,106,391	894,668	726,826	1,428,762
Interest on long-term debt	929,416	-	-	-
Total Governmental Activities	22,983,639	2,838,563	5,052,426	1,428,762
Business-Type Activities:				
Sewer	4,613,291	3,833,190	-	-
Total Business-Type Activities	4,613,291	3,833,190	-	-
Total Primary Government	\$ 27,596,930	\$ 6,671,753	\$ 5,052,426	\$ 1,428,762

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

**Extraordinary gain/(loss) on dissolution
of redevelopment agency (Note 14)**

Transfers

Total General Revenues 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
\$ (5,449,485)	\$ -	\$ (5,449,485)
(5,469,034)	-	(5,469,034)
(1,759,818)	-	(1,759,818)
(56,135)	-	(56,135)
(929,416)	-	(929,416)
(13,663,888)	-	(13,663,888)
-	(780,101)	(780,101)
-	(780,101)	(780,101)
(13,663,888)	(780,101)	(14,443,989)
7,919,069	-	7,919,069
230,942	-	230,942
1,066,225	-	1,066,225
1,791,099	-	1,791,099
362,092	-	362,092
1,486,677	-	1,486,677
14,189	-	14,189
874,671	8,690	883,361
519,043	131,448	650,491
19,489,395	-	19,489,395
(773,075)	773,075	-
32,980,327	913,213	33,893,540
19,316,439	133,112	19,449,551
59,242,980	8,558,322	67,801,302
8,118	-	8,118
\$ 78,567,537	\$ 8,691,434	\$ 87,258,971

CITY OF IMPERIAL BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General	Special Revenue Fund	Capital Projects Funds	Debt Service Fund
		Housing Authority	C.I.P. 2010 Bond	Debt Service RDA
Assets:				
Cash and investments	\$ 11,967,548	\$ -	\$ 9,536,775	\$ -
Receivables:				
Accounts	848,432	-	-	-
Contract and notes	-	7,579,393	-	-
Accrued interest	17,704	-	-	-
Due from other governments	1,383,449	-	1,000,000	-
Due from other funds	247,187	-	-	-
Inventories	3,705	-	-	-
Land held for resale	-	330,691	-	-
Due from Successor Agency	3,738,100	1,463,779	-	-
Total Assets	\$ 18,206,125	\$ 9,373,863	\$ 10,536,775	\$ -
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,300,201	\$ 1,610	\$ 2,423,787	\$ -
Accrued liabilities	374,643	-	7,587	-
Deferred revenues	421,467	418,330	-	-
Unearned revenues	691,055	-	-	-
Deposits payable	302,050	-	-	-
Due to other funds	-	1,430	-	-
Total Liabilities	3,089,416	421,370	2,431,374	-
Fund Balances:				
Nonspendable:				
Land held for resale	-	330,691	-	-
Contract and notes	-	7,161,063	-	-
Due from Successor Agency	3,738,100	1,463,779	-	-
Restricted for:				
Community development projects	-	-	8,105,401	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Assigned to:				
Public Works	1,841,230	-	-	-
Unassigned	9,537,379	(3,040)	-	-
Total Fund Balances	15,116,709	8,952,493	8,105,401	-
Total Liabilities and Fund Balances	\$ 18,206,125	\$ 9,373,863	\$ 10,536,775	\$ -

CITY OF IMPERIAL BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Other Governmental Funds	Total Governmental Funds
Assets:		
Cash and investments	\$ 2,860,690	\$ 24,365,013
Receivables:		
Accounts	-	848,432
Contract and notes	-	7,579,393
Accrued interest	-	17,704
Due from other governments	320,551	2,704,000
Due from other funds	-	247,187
Inventories	-	3,705
Land held for resale	-	330,691
Due from Successor Agency	-	5,201,879
Total Assets	\$ 3,181,241	\$ 41,298,004
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ 16,256	\$ 3,741,854
Accrued liabilities	2,153	384,383
Deferred revenues	85,507	925,304
Unearned revenues	43,469	734,524
Deposits payable	-	302,050
Due to other funds	245,757	247,187
Total Liabilities	393,142	6,335,302
Fund Balances:		
Nonspendable:		
Land held for resale	-	330,691
Contract and notes	-	7,161,063
Due from Successor Agency	-	5,201,879
Restricted for:		
Community development projects	-	8,105,401
Public safety	16,223	16,223
Parks and recreation	39,637	39,637
Public works	2,837,105	2,837,105
Assigned to:		
Public Works	-	1,841,230
Unassigned	(104,866)	9,429,473
Total Fund Balances	2,788,099	34,962,702
Total Liabilities and Fund Balances	\$ 3,181,241	\$ 41,298,004

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CITY OF IMPERIAL BEACH

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Fund balances of governmental funds	\$ 34,962,702
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.	38,071,631
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Compensated absences	(792,913)
Governmental funds report all OPEB contributions as expenditures, however in the Statement of Net Assets any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as an assets or a liabilities.	(89,058)
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.	925,304
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>5,489,871</u>
Net assets of governmental activities	<u><u>\$ 78,567,537</u></u>

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

		Special Revenue Funds	Capital Projects Funds	Debt Service Funds
	General	Housing Authority	C.I.P. 2010 Bond	Debt Service RDA
Revenues:				
Taxes	\$ 7,154,069	\$ -	\$ -	\$ 3,045,017
Assessments	-	-	-	-
Licenses and permits	540,784	-	-	-
Intergovernmental	876,886	-	-	-
Charges for services	7,781,946	-	2,342	-
Use of money and property	588,851	7,162	69,734	31,811
Fines and forfeitures	173,349	-	-	-
Miscellaneous	524,488	-	-	-
Total Revenues	17,640,373	7,162	72,076	3,076,828
Expenditures:				
Current:				
General government	3,203,967	325,906	98,701	984,819
Public safety	9,793,793	-	-	-
Parks, recreation and senior center	1,514,469	-	-	-
Public works	2,154,265	-	-	-
Capital outlay	150,032	-	3,051,555	-
Debt service:				
Interest and fiscal charges	-	-	-	954,380
Total Expenditures	16,816,526	325,906	3,150,256	1,939,199
Excess (Deficiency) of Revenues Over (Under) Expenditures	823,847	(318,744)	(3,078,180)	1,137,629
Other Financing Sources (Uses):				
Transfers in	1,027,708	-	-	-
Transfers out	(796,075)	(1,033,839)	-	(2,804,223)
Total Other Financing Sources (Uses)	231,633	(1,033,839)	-	(2,804,223)
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 14)	(11,618,969)	3,391,754	-	(4,753,953)
Net Change in Fund Balances	(10,563,489)	2,039,171	(3,078,180)	(6,420,547)
Fund Balance:				
Beginning of year, as originally reported	25,680,198	6,913,322	11,183,581	6,420,547
Restatements	-	-	-	-
Beginning of year, as restated	25,680,198	6,913,322	11,183,581	6,420,547
Fund Balances, End of Year	\$ 15,116,709	\$ 8,952,493	\$ 8,105,401	\$ -

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Other Governmental Funds	Total Governmental Funds
Revenues:		
Taxes	\$ 761,254	\$ 10,960,340
Assessments	11,393	11,393
Licenses and permits	-	540,784
Intergovernmental	1,635,955	2,512,841
Charges for services	24,915	7,809,203
Use of money and property	34,454	732,012
Fines and forfeitures	-	173,349
Miscellaneous	9,168	533,656
Total Revenues	2,477,139	23,273,578
Expenditures:		
Current:		
General government	1,831,971	6,445,364
Public safety	116,599	9,910,392
Parks, recreation and senior center	23,467	1,537,936
Public works	320,211	2,474,476
Capital outlay	399,488	3,601,075
Debt service:		
Interest and fiscal charges	113,175	1,067,555
Total Expenditures	2,804,911	25,036,798
Excess (Deficiency) of Revenues Over (Under) Expenditures	(327,772)	(1,763,220)
Other Financing Sources (Uses):		
Transfers in	3,856,062	4,883,770
Transfers out	(1,022,708)	(5,656,845)
Total Other Financing Sources (Uses)	2,833,354	(773,075)
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 14)	(6,426,057)	(19,407,225)
Net Change in Fund Balances	(3,920,475)	(21,943,520)
Fund Balance:		
Beginning of year, as originally reported	6,700,456	56,898,104
Restatements	8,118	8,118
Beginning of year, as restated	6,708,574	56,906,222
Fund Balances, End of Year	\$ 2,788,099	\$ 34,962,702

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, 2012**

Net change in fund balances - total governmental funds \$ (21,943,520)

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

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

Capital Outlay	\$	3,629,684	
Depreciation		<u>(928,336)</u>	2,701,348

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Amortization of bond discount	(31,069)
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Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

169,208

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.

(52,203)

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

(24,692)

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.

285,298

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.

(684,551)

Extraordinary gains and losses relating to capital assets and long-term liabilities transferred to the Successor Agency are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Long-term liabilities	39,569,089		
Unamortized bond issuance costs		<u>(672,469)</u>	<u>38,896,620</u>

Change in net assets of governmental activities \$ 19,316,439

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 25,680,198	\$ 25,680,198	\$ 25,680,198	\$ -
Resources (Inflows):				
Taxes	6,956,000	6,956,000	7,154,069	198,069
Licenses and permits	526,000	526,000	540,784	14,784
Intergovernmental	173,000	426,120	876,886	450,766
Charges for services	7,220,379	7,220,379	7,781,946	561,567
Use of money and property	915,000	915,000	588,851	(326,149)
Fines and forfeitures	196,500	196,500	173,349	(23,151)
Miscellaneous	183,000	183,000	524,488	341,488
Transfers in	919,115	894,115	1,027,708	133,593
Amounts Available for Appropriations	42,769,192	42,997,312	44,348,279	1,350,967
Charges to Appropriations (Outflow):				
General government				
Mayor/City Council	99,066	112,066	111,887	179
City Clerk's Office	256,071	272,071	240,132	31,939
City Manager	273,039	280,039	279,345	694
Personnel	218,206	233,206	233,291	(85)
Administrative Services	608,464	617,464	614,703	2,761
City Attorneys	205,000	205,000	173,849	31,151
Community Development	316,623	316,623	505,947	(189,324)
Facilities Maintenance	284,223	268,223	267,947	276
Non-Departmental	119,591	713,591	776,866	(63,275)
Public safety				
Law Enforcement Contract	6,171,962	6,171,962	5,894,980	276,982
Fire Protection Rescue	2,206,088	2,206,088	1,903,892	302,196
Ocean Beach Safety	1,370,477	1,370,477	1,235,420	135,057
Building Inspection	337,458	317,458	297,657	19,801
Animal Control	282,356	222,356	258,051	(35,695)
Disaster Preparedness	51,706	56,706	57,208	(502)
Code Enforcement	96,692	116,692	116,276	416
AVA Program	35,152	35,152	30,309	4,843
Parks and recreation				
Recreation Srvcs. & Skatepark	267,258	258,258	246,840	11,418
Park Maintenance	410,540	410,540	405,804	4,736
Senior Services	27,988	27,988	27,038	950
Tideland Maintenance	885,523	885,523	834,787	50,736
Public works				
Street Maintenance	919,115	839,115	829,139	9,976
Public Works Admin.	540,783	645,783	623,279	22,504
Graffiti Removal	-	75,000	74,078	922
Solid Waste Management	97,050	97,050	627,769	(530,719)
Capital outlay	27,695	51,695	150,032	(98,337)
Transfers out	852,000	852,000	796,075	55,925
Extraordinary loss on dissolution of redevelopment agency	-	-	11,618,969	(11,618,969)
Total Charges to Appropriations	16,960,126	17,658,126	29,231,570	(11,573,444)
Budgetary Fund Balance, June 30	\$ 25,809,066	\$ 25,339,186	\$ 15,116,709	\$ (10,222,477)

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON STATEMENT
HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 6,913,322	\$ 6,913,322	\$ 6,913,322	\$ -
Resources (Inflows):				
Use of money and property	-	-	7,162	7,162
Extraordinary gain on dissolution of redevelopment agency	-	-	3,391,754	3,391,754
Amounts Available for Appropriation	6,913,322	6,913,322	10,312,238	3,398,916
Charges to Appropriation (Outflow):				
General government	-	3,849,000	325,906	3,523,094
Transfers out	-	-	1,033,839	(1,033,839)
Total Charges to Appropriations	-	3,849,000	1,359,745	2,489,255
Budgetary Fund Balance, June 30	\$ 6,913,322	\$ 3,064,322	\$ 8,952,493	\$ 5,888,171

CITY OF IMPERIAL BEACH

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2012

	<u>Enterprise Fund</u>	<u>Governmental</u>
	<u>Sewer</u>	<u>Activities- Internal Service Funds</u>
Assets:		
Current:		
Cash and investments	\$ 3,163,884	\$ 5,465,390
Receivables:		
Accounts	60,206	-
Due from other governments	314,333	122,013
Total Current Assets	3,538,423	5,587,403
Noncurrent:		
Capital assets - net of accumulated depreciation	5,974,890	661,089
Total Noncurrent Assets	5,974,890	661,089
Total Assets	\$ 9,513,313	\$ 6,248,492
Liabilities and Net Assets:		
Liabilities:		
Current:		
Accounts payable	\$ 114,541	\$ 17,698
Accrued liabilities	37,590	16,715
Compensated absences	15,251	17,309
Claims and judgments	-	267,785
Total Current Liabilities	167,382	319,507
Noncurrent:		
Compensated absences	39,901	43,710
Claims and judgments	-	1,010,000
Total Noncurrent Liabilities	39,901	1,053,710
Total Liabilities	207,283	1,373,217
Net Assets:		
Invested in capital assets, net of related debt	5,974,890	661,089
Unrestricted	3,331,140	4,214,186
Total Net Assets	9,306,030	4,875,275
Total Liabilities and Net Assets	\$ 9,513,313	\$ 6,248,492
Reconciliation of Net Assets to the Statement of Net Assets		
Net Assets per Statement of Net Assets - Proprietary Funds	\$ 9,306,030	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(576,751)	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds	(37,845)	
Net Assets per Statement of Net Assets	\$ 8,691,434	

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Enterprise Fund</u>	<u>Governmental</u>
	<u>Sewer</u>	<u>Activities- Internal Service Funds</u>
Operating Revenues:		
Sales and service charges	\$ 3,833,190	\$ 1,187,348
Miscellaneous	131,448	257,713
Total Operating Revenues	<u>3,964,638</u>	<u>1,445,061</u>
Operating Expenses:		
Services and supplies	3,869,688	671,234
Claims expense	-	867,932
Depreciation	166,613	145,087
Personnel and administrative	539,145	508,086
Total Operating Expenses	<u>4,575,446</u>	<u>2,192,339</u>
Operating Income (Loss)	<u>(610,808)</u>	<u>(747,278)</u>
Nonoperating Revenues (Expenses):		
Interest revenue	8,690	30,327
Gain (loss) on disposal of capital assets	-	(5,445)
Total Nonoperating Revenues (Expenses)	<u>8,690</u>	<u>24,882</u>
Income (Loss) Before Transfers	(602,118)	(722,396)
Transfers in	773,075	5,000
Transfers out	-	(5,000)
Changes in Net Assets	170,957	(722,396)
Net Assets:		
Beginning of Year	9,135,073	5,597,671
End of Fiscal Year	<u>\$ 9,306,030</u>	<u>\$ 4,875,275</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	\$ 170,957	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	<u>(37,845)</u>	
Changes in Net Assets of Business-Type Activities per Statement of Activities	<u>\$ 133,112</u>	

CITY OF IMPERIAL BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2012

	<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	\$ 3,903,117	\$ -
Cash received from/(paid to) interfund service provided	-	1,364,109
Cash paid to suppliers for goods and services	(3,772,495)	(943,835)
Cash paid to employees for services	(513,964)	(495,873)
Net Cash Provided (Used) by Operating Activities	(383,342)	(75,599)
Cash Flows from Non-Capital Financing Activities:		
Cash transfers out	-	(5,000)
Cash transfers in	773,075	5,000
Net Cash Provided (Used) by Non-Capital Financing Activities	773,075	-
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(338,942)	(6,401)
Net Cash Provided (Used) by Capital and Related Financing Activities	(338,942)	(6,401)
Cash Flows from Investing Activities:		
Interest received	8,690	30,327
Net Cash Provided (Used) by Investing Activities	8,690	30,327
Net Increase (Decrease) in Cash and Cash Equivalents	59,481	(51,673)
Cash and Cash Equivalents at Beginning of Year	3,104,403	5,517,063
Cash and Cash Equivalents at End of Year	\$ 3,163,884	\$ 5,465,390
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (610,808)	\$ (747,278)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	166,613	145,087
(Increase) decrease in accounts receivable	(44,318)	7,739
(Increase) decrease in due from other governments	(17,203)	(91,774)
(Increase) decrease in inventories	-	3,083
Increase (decrease) in accounts payable	97,193	391
Increase (decrease) in accrued liabilities	22,004	5,787
Increase (decrease) in claims and judgments	-	594,940
Increase (decrease) in compensated absences	3,177	6,426
Total Adjustments	227,466	671,679
Net Cash Provided (Used) by Operating Activities	\$ (383,342)	\$ (75,599)

CITY OF IMPERIAL BEACH

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Agency Funds	Private- Purpose Trust Fund Sucessor Agency of the Former RDA
Assets:		
Pooled cash and investments	\$ 462,707	\$ 1,811,198
Receivables:		
Accounts	-	596
Deferred loans	-	3,750
Land held for resale	-	17,048,281
Deferred charges	-	662,440
Restricted assets:		
Cash and investments with fiscal agents	-	5,304,483
Total Assets	\$ 462,707	\$ 25,200,355
Liabilities:		
Accounts payable	\$ -	\$ 398,130
Due to bondholders	462,707	-
Due to City	-	5,201,879
Long-term liabilities:		
Due in one year	-	620,000
Due in more than one year	-	38,491,249
Total Liabilities	\$ 462,707	44,711,258
Net Assets:		
Held in trust for other purposes		\$ (19,510,903)
Total Net Assets		\$ (19,510,903)

CITY OF IMPERIAL BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Private- Purpose Trust Fund Sucessor Agency of the Former RDA</u>
Additions:	
Taxes	\$ 1,382,843
Interest and change in fair value of investments	(17,442)
Contributions from City	677,425
Miscellaneous	24,166
	<u>2,066,992</u>
Total Additions	2,066,992
Deductions:	
Administrative expenses	998,756
Interest expense	1,089,744
	<u>2,088,500</u>
Total Deductions	2,088,500
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 14)	(19,489,395)
Changes in Net Assets	(19,510,903)
Net Assets - Beginning of the Year	<u>-</u>
Net Assets - End of the Year	<u><u>\$ (19,510,903)</u></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 County of 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. 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. The Agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 13 for more information on the dissolution.

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.

Imperial Beach Housing Authority

The Imperial Beach Housing Authority was established on January 14, 2011, by Council resolution to transact business and exercise powers in the City of Imperial Beach and to accept any appropriate funds from the Imperial Beach Redevelopment Agency. The Authority also acts as the Housing Successor Agency.

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. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, 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. The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The private-purpose trust funds are reported using the economic resources management focus and the full accrual basis of accounting.

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 Authority Fund accounts for the transactions of the Imperial Beach's Housing Authority which was established to for the development of low and moderate income housing in the City.
- The C.I.P. 2010 Bond Capital Projects Fund accounts for redevelopment projects funded with the proceeds of the 2010 Tax Allocation Bonds.
- The Redevelopment Agency Debt Service Fund accounts for the general activity of the Redevelopment Agency.

Note 1: Summary of Significant Accounting Policies (Continued)

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.
- Capital Projects Funds account for the financial resources to be used for the capital improvement projects of the City.
- 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.
- The Private Purpose Trust Fund accounts for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.
- 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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 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."

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

- 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. 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.

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 \$5,000 (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 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, government funds report the following fund balance classification:

Nonspendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a City Council resolution.

Note 1: Summary of Significant Accounting Policies (Continued)

Assigned includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Resolution No. 2011-7039 authorizes the City Manager to assign amounts to a specific purpose.

Unassigned includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

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.

Property Tax Revenue

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.

I. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

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 for the General Fund and the Special Revenue Funds, except for the Traffic Safety Fund, the Parks Grant Fund, Prop 1B Fund, Housing Redevelopment Fund, Capital Projects RDA Fund, C.I.P. 2010 Bond Fund and Debt Service RDA Fund.

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 Fund 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, 2012, 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.

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, the Traffic Safety Fund, the Parks Grant Fund, Prop 1B Fund, Housing Redevelopment Fund, Capital Projects RDA Fund, C.I.P. 2010 Bond Fund and Debt Service RDA Fund did not adopt a budget; therefore, a budget comparison is not shown.

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2012, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 29,830,403
Business-Type activities	3,163,884
Fiduciary funds	<u>7,578,388</u>
Total Cash and Investments	<u>\$ 40,572,675</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, 2012, the carrying amount of the City's deposits was \$358,588 and the bank balance was \$1,811,337. The \$1,452,749 difference represents outstanding checks and other reconciling items.

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.

A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction account at all FDIC-insured institutions. This provision was effective from December 31, 2010 and will remain effective until December 31, 2012. Noninterest-bearing transaction accounts is defined as an account (1) with respect to which interest is neither accrued nor paid; (2) on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (3) on which the FDIC-insured depository institutions does not reserve the right to require advance notice of an intended withdrawal. As of June 30, 2012, the City maintains cash deposits that are temporarily covered by this provision.

Note 3: Cash and Investments (Continued)

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.

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.

Note 3: Cash and Investments (Continued)

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, 2012, 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.

On August 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. As a result, on August 8, 2011, Standard & Poor's Ratings Services lowered its issuer credit ratings and related issue ratings on various Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac to AA+ from AAA. In addition, the ratings on 126 Federal Deposit Insurance Corp.-guaranteed debt issues from 30 financial institutions under the Temporary Liquidity Guarantee Program (TLGP), and four National Credit Union Association-guaranteed debt issues from two corporate credit unions under the Temporary Corporate Credit Union Guarantee Program (TCCUGP) have also been downgraded to AA+ from AAA. The City also invests in LAIF which invests in various underlying securities, including the federal agency securities. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change as well.

As of June 30, 2012, 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, 2012, none of the City's deposits or investments was exposed to custodial credit risk.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 3: Cash and Investments (Continued)

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, 2012, the City has not invested more than 25% of its total investments in any one issuer. 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, 2012, the City has investments with the following issuers, which exceed 5% of the total investment value:

Federal Home Loan Bank	\$	4,020,880	12%
Federal Farm Credit Bank		4,003,300	12%
Corporate Bonds		5,874,420	17%

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, 2012, the City had the following investments and original maturities:

Investments	Investment Maturities (in Years)				Fair Value
	1 year or less	1 to 3 years	3 to 5 years	5 and more years	
California Local Agency Investment Fund	\$ 21,011,004	\$ -	\$ -	\$ -	\$ 21,011,004
Federal Farm Credit Bank	-	-	4,003,300	-	4,003,300
Federal Home Loan Bank	-	4,020,880	-	-	4,020,880
Corporate Bonds	-	999,120	3,000,480	1,874,820	5,874,420
Money Market Mutual Funds - held by fiscal agent	5,304,483	-	-	-	5,304,483
	<u>\$ 26,315,487</u>	<u>\$ 5,020,000</u>	<u>\$ 7,003,780</u>	<u>\$ 1,874,820</u>	<u>\$ 40,214,087</u>

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,638,532	\$ -	\$ -	\$ -	\$ 1,638,532
Infrastructure right-of-way	12,406,327	-	-	-	12,406,327
Construction-in-progress	4,696,965	(1,966,048)	3,583,069	-	6,313,986
Total Capital Assets, Not Being Depreciated	18,741,824	(1,966,048)	3,583,069	-	20,358,845
Capital assets, being depreciated:					
Structures and improvements	7,331,584	379,125	-	-	7,710,709
Equipment and vehicles	4,164,290	-	53,016	26,928	4,190,378
Infrastructure	16,237,309	1,586,923	-	-	17,824,232
Total Capital Assets, Being Depreciated	27,733,183	1,966,048	53,016	26,928	29,725,319
Less accumulated depreciation:					
Structures and improvements	3,158,307	-	283,503	-	3,441,810
Equipment and vehicles	3,035,072	-	262,860	21,483	3,276,449
Infrastructure	4,106,125	-	527,060	-	4,633,185
Total Accumulated Depreciation	10,299,504	-	1,073,423	21,483	11,351,444
Total Capital Assets, Being Depreciated, Net	17,433,679	1,966,048	(1,020,407)	5,445	18,373,875
Governmental Activities Capital Assets, Net	\$ 36,175,503	\$ -	\$ 2,562,662	\$ 5,445	\$ 38,732,720

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

General Government	\$ 143,351
Public Safety	54,044
Public Works	538,746
Parks, Recreation and Senior Center	192,194
Internal Service Funds	145,088
Total Governmental Activities	\$ 1,073,423

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 4: Capital Assets (Continued)

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Business-Type Activities:					
Capital assets, not being depreciated:					
Construction-in-progress	\$ 862,176	\$ -	\$ 336,514	\$ -	\$ 1,198,690
Total Capital Assets, Not Being Depreciated	862,176	-	336,514	-	1,198,690
Capital assets, being depreciated:					
Sewer Lines and Pump Stations	8,283,860	-	2,429	-	8,286,289
Total Capital Assets, Being Depreciated	8,283,860	-	2,429	-	8,286,289
Less accumulated depreciation:					
Sewer Lines and Pump Stations	3,343,475	-	166,614	-	3,510,089
Total Accumulated Depreciation	3,343,475	-	166,614	-	3,510,089
Total Capital Assets, Being Depreciated, Net	4,940,385	-	(164,185)	-	4,776,200
Business-Type Activities Capital Assets, Net	<u>\$ 5,802,561</u>	<u>\$ -</u>	<u>\$ 172,329</u>	<u>\$ -</u>	<u>\$ 5,974,890</u>

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

Business-Type Activities:	
Sewer	<u>\$ 166,614</u>

Note 5: Loans Receivable

Loans receivable consist of the following:

South Bay Community Services Loan – Hemlock Ave.

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, 2012, amounts to \$102,471 and is offset by deferred revenue. The loan has not been fully disbursed at June 30, 2012. The outstanding balance at June 30, 2012, is \$732,079, including accrued interest.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 5: Loans Receivable (Continued)

South Bay Community Services Loan – Calla Ave.

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, 2012, amounts to \$86,088 and is offset by deferred revenue. The loan has not been fully disbursed at June 30, 2012. The outstanding balance at June 30, 2012, is \$572,543, including accrued interest.

Tax Increment Loan - 12th Street

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, 2012, amounts to \$209,271 and is offset by deferred revenue. The outstanding balance at June 30, 2012, is \$2,154,271, including accrued interest.

American Legion Loan

The Imperial Beach Housing Authority and Hitzke Development Corporation entered into an Affordable Housing Agreement for the development of a mixed-use affordable housing development project and new American Legion Post. The Authority authorized financing for the Project for an amount not to exceed \$4,100,000 to construct thirty (30) units of affordable housing consisting of twenty-nine (29) affordable residential rental units and one manager's unit. 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, 2012, amounts to \$20,500 and is offset by deferred revenue. The outstanding balance at June 30, 2012, is \$4,120,500, including accrued interest.

Total loans receivable at June 30, 2012, amounts to \$7,579,393.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 6: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2012, is as follows:

Due To/Due From Other Funds

Funds	Due to Other Funds	
	Non-major Governmental Funds	Total
Due From Other Funds:		
General Fund	\$ 247,187	\$ 247,187
Total	\$ 247,187	\$ 247,187

Due from Successor Agency

In previous fiscal years, the City of Imperial Beach made loans to the former redevelopment 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, 2012, 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.

During the current fiscal year, the Imperial Beach Housing Authority loaned the Private Purpose Trust Fund \$1,463,779 to assist the Trust in meeting its debt service payment on the 2003 and 2003 Tax Allocation Bonds, of which was due December 1, 2012. These borrowed funds were subsequently repaid when the Trust received an RPTTF payment from the County in January of 2013.

Interfund Transfers

	Transfers In				Total
	General Fund	Sewer Fund	Internal Service Funds	Nonmajor Govt Funds	
Transfers Out:					
General Fund	\$ -	\$ 773,075	\$ 5,000	\$ 18,000	\$ 796,075
Housing Authority	-	-	-	1,033,839	1,033,839
Debt Service RDA	-	-	-	2,804,223	2,804,223
Internal Service Funds	5,000	-	-	-	5,000
Nonmajor Govt Funds	1,022,708	-	-	-	1,022,708
Total	\$ 1,027,708	\$ 773,075	\$ 5,000	\$ 3,856,062	\$ 5,661,845

Transfers were made from the General Fund to reimburse the Sewer Fund for maintenance costs, assist in facility maintenance, and augment resources in the Lighting and Landscape Assessment District #67. Transfers into the General Fund were made from the Gas Tax Fund and Prop A Tax Fund to support street maintenance and transportation costs. Transfers from the Housing Authority and between former Redevelopment Agency funds were made to meet debt service payment obligations.

CITY OF IMPERIAL BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 7: Deferred Revenue and Unearned Revenue

General Fund deferred revenue of \$139,948 relates to excess Vehicle License Fee (VLF) and sales tax revenue accrued but not yet received within the recognition periods.

General Fund unearned revenue consists of \$640,000 relating to a lease with the Unified Port District of San Diego and \$51,055 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, 2012, \$640,000 remains of this unearned lease revenue.

Note 8: Long-Term Debt

a. Long-Term Debt – Governmental Activities

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2012:

	Balance 6/30/2011	Additions	Deletions	Transferred to Successor Agency	Balance 6/30/2012	Due Within One Year
Tax Allocation Bonds						
2003, Series A	\$ 18,925,000	\$ -	\$ -	\$ (18,925,000)	\$ -	\$ -
2010	21,595,000	-	-	(21,595,000)	-	-
Other Post-Employment Benefits Obligation	64,366	32,781	8,089	-	89,058	-
Compensated Absences	795,306	494,985	436,359	-	853,932	237,540
Claims & Judgments	682,845	783,495	188,555	-	1,277,785	267,785
	<u>\$ 42,062,517</u>	<u>\$ 1,311,261</u>	<u>\$ 633,003</u>	<u>\$ (40,520,000)</u>	<u>2,220,775</u>	<u>\$ 505,325</u>

The Agency had 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. For the current year, the total tax increment revenue, net of pass through payments, recognized by the Agency was \$3,045,017 and the debt service obligation on the bonds was \$1,067,555.

Other Post-Employment Benefits Obligation

The City's policies relating to other post-employment benefits are described in Note 10 of the Notes to Financial Statements.

Compensated Absences

The City's policies relating to compensated absences are described in Note 1 of the Notes to Financial Statements.

CITY OF IMPERIAL BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 8: Long-Term Debt (Continued)

Claims and Judgments

The City's liability regarding self-insurance is described in Note 11 of the Notes to Financial Statements. The liability will be paid in future years from the Self Insurance Fund.

b. Long-Term Debt – Business-Type Activities

The following is a summary of changes in Proprietary Fund long-term debt for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Enterprise Fund:					
Compensated absences	\$ 51,975	\$ 43,637	\$ 40,460	\$ 55,152	\$ 15,251

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, 2012, was \$94,000. 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

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 16.312% for miscellaneous employees, 30.875% for fire employees and 20.658% for ocean lifeguards, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Required Contribution

For 2012, the City's required contribution of \$765,238 for PERS was equal to the City's actuarial required contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial costs method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.55% to 14.45% depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis over 19, 18 and 16 years.

<u>Fiscal Year Ending</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
<u>Miscellaneous Members</u>		
6/30/2010	\$ 446,820	100%
6/30/2011	1,795,553	100%
6/30/2012	497,428	100%
<u>Safety Members</u>		
6/30/2010	\$ 418,927	100%
6/30/2011	388,266	100%
6/30/2012	267,811	100%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 9: City Employees Retirement Plan (Continued)

For fiscal year 2011-2012, 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 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 post-employment 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 \$8,089 was made during the 2011-2012 fiscal year and was not included in the October 1, 2012 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)	\$ 34,496
Interest on net OPEB obligation	1,270
Adjustments to ARC	<u>(2,985)</u>
Annual OPEB cost	32,781
Contributions made	<u>8,089</u>
(Decrease) increase in Net OPEB obligation	24,692
Net OPEB obligation (asset) - beginning of year	<u>64,366</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ 89,058</u></u>

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 10: Other Post-Employment Benefits (Continued)

The contribution rate of 23.4% is based on the ARC of \$34,496 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 annual normal cost and the amortization of unfunded actuarial liabilities (or funding excess) over a thirty year period.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011-2012, 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)
6/30/2010	\$ 25,329	\$ 4,858	19.18%	\$ 48,649
6/30/2011	23,101	7,384	31.96%	64,366
6/30/2012	32,781	8,089	24.68%	89,058

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.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio	Covered Payroll	UAAL as Percent of Covered Payroll
9/1/2009	\$ -	\$ 238,144	\$ 238,144	0.0%	\$ 4,454,378	5.35%
10/1/2012	116,507	357,437	240,930	32.6%	4,664,039	5.17%

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

Note 10: Other Post-Employment Benefits (Continued)

In the October 1, 2012 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, 2012, was twenty-seven years. The number of current employees who are eligible to participate in OPEB once retired is 78, the number of retirees currently receiving benefits are 4, and to be eligible to receive benefits the employee must retire from the City and be taking medical insurance at the time of retirement.

Note 11: Self-Insurance Program

General Liability

On August 8, 1990, the City became one of twelve 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 \$250,000 of workers' compensation claims. Claims between \$250,000 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.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 11: Self-Insurance Program (Continued)

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 \$1,277,785 reported at June 30, 2012, 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.

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>2010-2011</u>	<u>2011-2012</u>
Claims outstanding at beginning of year	\$ 390,323	\$ 682,845
Claims and changes in estimates	462,858	783,495
Claim payments	<u>(170,336)</u>	<u>(188,555)</u>
Claims outstanding at end of year	<u>\$ 682,845</u>	<u>\$1,277,785</u>

Note 12: Contingencies

Litigation

The City is involved in various lawsuits of which the outcome was undetermined as of June 30, 2012. 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. Beginning July 2012, 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, 2012 through June 30, 2021. This is a renewal of the previous contract which ended June 30, 2012. The new contract provides for cost reimbursement to the City of Imperial Beach in an amount not to exceed \$4,381,743 through June 30, 2013. The contract includes a re-evaluation of the financial terms every three years and future year payments would be subject to the lesser of San Diego Consumer Price Index or the San Diego Port District revenue performance with a capped at (4%) or 4%. 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 2011-2012 the City received \$3,847,397 or 21.8% of its general fund revenue from the Port District.

CITY OF IMPERIAL BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 12: Contingencies (Continued)

The following material construction commitments existed at June 30, 2012:

Project Name	Contract Amount	Expenditures to date as of June 30, 2012	Remaining Commitments
9th & Palm Demolition	\$ 412,674	\$ 422,052	\$ (9,378)
Annual Sewer Main Line Repairs	134,175	240,256	(106,081)
Street Improvements Phase 4/5	3,672,542	3,982,073	(309,531)
Street Improvements Phase 3B	1,550,758	1,435,055	115,703

Note 13: California Redevelopment Agency Dissolution

On July 18, 2011, the California Redevelopment Association (“CRA”) and the League of California Cities (“League”) filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, AB 1X 26 and 27 (*California Redevelopment Association v. Matosantos*). AB 1X 26 dissolves redevelopment agencies effective October 1, 2011. AB 1X 27 gave redevelopment agencies an option to avoid dissolution if it commits to making defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amounted to a state-wide total of \$1.7 billion. In 2012-13 and subsequent years, the payments totaled \$400 million, annually. Each city or county’s share of these payments was determined based on its proportionate share of state-wide tax increment.

On August 17, 2011 the Supreme Court issued a stay of the implementation of AB 1X 26 and 27 which allowed a redevelopment agency to continue if it adopted an AB 1X 27 ordinance. However, because of the effect of the stay order, the authority for the Redevelopment Agency to engage in most activities was suspended.

The Supreme Court heard oral arguments on November 10, 2011 and on December 29, 2011 announced its decision in *California Redevelopment Association v. Matosantos*. The court upheld AB 1X 26 which dissolves redevelopment agencies, but invalidated in its entirety AB 1X 27 which allowed redevelopment agencies to continue as long as they made the required payments. AB 1X 26 established deadlines for the process of Redevelopment Agency dissolution and the handling of existing obligations. The full text of AB 1X 26 may be obtained from the California legislative information website maintained by the Legislative Counsel of the State of California at: <http://www.leginfo.ca.gov/bilinfo.html>.

As of January 31, 2012, the Redevelopment Agency has been dissolved and the City of Imperial Beach has elected to become the Successor Agency. The Successor Agency will be responsible for winding down the remaining activities of the dissolved Redevelopment Agency.

Note 14: Successor Agency Trust For Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Imperial Beach that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 5, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-7136.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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

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

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012, was reported in the private-purpose trust fund as an extraordinary gain (or loss).

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 14: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in the governmental funds - increase to net assets of the Successory Agency Trust Fund	\$ 19,407,225
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	<u>(38,896,620)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u><u>\$ (19,489,395)</u></u>

a. Cash and investments

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

Cash and investments pooled with the City	\$ 1,811,198
Cash and investments with fiscal agent	<u>5,304,483</u>
	<u><u>\$ 7,115,681</u></u>

b. 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 2011-2012, \$2,500 of the debt was forgiven and \$2,500 was added, leaving a balance of \$3,750.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 14: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

c. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2012, follows:

	Balance July 1, 2011	Transferred from the former RDA	Additions	Repayments	Balance June 30, 2012	Due Within One Year
Fiduciary Funds:						
2003 Tax Allocation, Series A	\$ -	\$ 18,925,000	\$ -	\$ 470,000	\$ 18,455,000	\$ 490,000
2010 Tax Allocation Bonds	-	21,595,000	-	-	21,595,000	130,000
Total Fiduciary Funds	\$ -	\$ 40,520,000	\$ -	\$ 470,000	40,050,000	\$ 620,000
				Unamortized Premiums/Discounts	(938,751)	
				Total Long-term Debt	\$ 39,111,249	

Tax Allocation Bonds, 2003 Series A

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. The balance at June 30, 2012, excluding unamortized original issue discount of \$232,094, is \$18,455,000.

The following is a schedule by years, of future debt service payments as of June 30:

	2003 Tax Allocation Bonds, Series A	
	Principal	Interest
2012 - 2013	\$ 490,000	\$ 1,061,584
2013 - 2014	510,000	1,037,574
2014 - 2015	540,000	1,012,074
2015 - 2016	570,000	985,074
2016 - 2017	595,000	955,719
2017 - 2022	3,500,000	4,251,419
2022 - 2027	4,635,000	3,118,735
2027 - 2032	6,155,000	1,586,858
2032 - 2037	1,460,000	87,600
Totals	\$ 18,455,000	\$ 14,096,637

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 14: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

Tax Allocation Bonds, 2010

In November 2010, the Imperial Beach Public Financing Authority issued \$21,595,000 Tax Allocation Bonds, 2010. 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. The Agency's obligations under the Loan Agreements are secured by a pledge of Tax Revenues, not including Low and Moderate Income Housing set-aside that it receives. Interest on the bonds is payable semiannually and principal payments are due annually. The bonds consist of \$2,135,000 in term bonds due June 1, 2030, with interest at 5.000%; term bonds of \$5,170,000 due June 1, 2035, with interest at 5.000% and term bonds of \$10,715,000 due June 1, 2040, with interest at 5.125%. The balance at June 30, 2012, excluding unamortized original issue discount of \$714,395, is \$21,595,000.

The following is a schedule by years, of future debt service payments as of June 30:

	2010 Tax Allocation Bonds	
	Principal	Interest
2012 - 2013	\$ 130,000	\$ 1,051,906
2013 - 2014	230,000	1,048,006
2014 - 2015	235,000	1,041,106
2015 - 2016	245,000	1,034,056
2016 - 2017	255,000	1,026,706
2017 - 2022	1,445,000	4,988,675
2022 - 2027	1,820,000	4,649,988
2027 - 2032	2,380,000	4,150,719
2032 - 2037	8,100,000	3,124,556
2037 - 2042	6,755,000	704,431
Totals	<u>\$ 21,595,000</u>	<u>\$ 22,820,149</u>

On June 14, 2012, Moody's Investors Service ("Moody's") downgraded all California tax allocation bonds rated 'Baa3' and above. As such, the Bonds' insured rating was downgraded from 'A3' to 'Ba1' and underlying rating was downgraded from 'A3' to 'Ba1'. According to Moody's, all California tax allocation bond ratings remain on review for possible withdrawal.

Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax

Note 14: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$79,966,786 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the City and Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$1,382,843 and the debt service obligation on the bonds was \$1,537,555.

d. Insurance

The Successor Agency is covered under the City of Imperial Beach's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 11.

e. Commitments and Contingencies

At June 30, 2012, the Successor Agency was involved as a defendant in several lawsuits arising out of the ordinary conduct of its affairs. It is the opinion of management that settlements of these lawsuits, including losses for claims that are incurred but not reported, if any, will not have a material effect on the financial position of the Successor Agency.

f. Reversal of Transfers of Assets

On April 20, 2012, pursuant to Health and Safety Code Section 34167.5, the California State Controller issued an order to cities, counties, and agencies, directly or indirectly receiving assets from a redevelopment agency after January 1, 2011, to reverse the transfer and return assets to successor agency. The California State Controller will specifically review and audit cities, counties, and public agencies to ensure that all applicable asset transfers have been reversed. Any reversals of transfers are not reflected in the Agency's financial statements as of January 31, 2012. Upon the Controller's review, any assets, if applicable, would be transferred to the Successor Agency in accordance with the order.

g. Subsequent Events

Assembly Bill 1484 established a requirement for the successor agency to remit to the County auditor-controller three payments as determined by the auditor-controller which consist of a payment to be made in July 2012 for taxing entities' share of December 2011 property tax distribution to redevelopment agency/successor agency, a payment to be made in November 2012 related to Low-Moderate Income Housing Fund Due Diligence Review for unencumbered cash, and a payment to be made in April 2013 related to the other Redevelopment Funds Due Diligence Review for unencumbered cash. As of the date of the report the payment in July 2012 was made in the amount of \$0. In addition, the Low-Moderate Income Housing Due Diligence Review resulted in an amount due of \$0 and the other Redevelopment Funds Due Diligence Review resulted in an amount due of \$0, both of which have been confirmed by the Department of Finance.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 15: Fund Equity and Net Assets Restatements

Beginning nets assets/fund balance in the Capital Projects RDA Fund was restated by \$8,118 to adjust prior year expenditures.

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds			
	Gas Tax	Prop A Tax	Residential Construction	CDBG Grant
Assets:				
Cash and investments	\$ 1,740,881	\$ 811,078	\$ 202,646	\$ -
Due from other governments	84,041	-	-	134,763
Total Assets	\$ 1,824,922	\$ 811,078	\$ 202,646	\$ 134,763
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 1,145	\$ -	\$ 6,608
Accrued liabilities	-	396	-	1,757
Deferred revenues	-	-	-	85,507
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	145,055
Total Liabilities	-	1,541	-	238,927
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	1,824,922	809,537	202,646	-
Unassigned	-	-	-	(104,164)
Total Fund Balances	1,824,922	809,537	202,646	(104,164)
Total Liabilities and Fund Balances	\$ 1,824,922	\$ 811,078	\$ 202,646	\$ 134,763

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Assets:				
Cash and investments	\$ -	\$ 66,210	\$ 39,674	\$ 110
Due from other governments	100,000	-	1,747	-
Total Assets	\$ 100,000	\$ 66,210	\$ 41,421	\$ 110
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 6,628	\$ 1,875	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	43,469	-	-
Due to other funds	100,702	-	-	-
Total Liabilities	100,702	50,097	1,875	-
Fund Balances:				
Restricted for:				
Public safety	-	16,113	-	110
Parks and recreation	-	-	39,546	-
Public works	-	-	-	-
Unassigned	(702)	-	-	-
Total Fund Balances	(702)	16,113	39,546	110
Total Liabilities and Fund Balances	\$ 100,000	\$ 66,210	\$ 41,421	\$ 110

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds		Capital Projects Funds	
	Parks Grant Fund	Prop 1B	Housing Redevelopment	Capital Projects RDA
Assets:				
Cash and investments	\$ 91	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-
Total Assets	\$ 91	\$ -	\$ -	\$ -
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Parks and recreation	91	-	-	-
Public works	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	91	-	-	-
Total Liabilities and Fund Balances	\$ 91	\$ -	\$ -	\$ -

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Total Nonmajor Governmental Funds
Assets:	
Cash and investments	\$ 2,860,690
Due from other governments	320,551
Total Assets	<u>3,181,241</u>
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 16,256
Accrued liabilities	2,153
Deferred revenues	85,507
Unearned revenues	43,469
Due to other funds	245,757
Total Liabilities	<u>393,142</u>
Fund Balances:	
Restricted for:	
Public safety	16,223
Parks and recreation	39,637
Public works	2,837,105
Unassigned	<u>(104,866)</u>
Total Fund Balances	<u>2,788,099</u>
Total Liabilities and Fund Balances	<u>\$ 3,181,241</u>

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds			
	Gas Tax	Prop A Tax	Residential Construction	CDBG Grant
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Intergovernmental	809,504	528,685	-	187,794
Charges for services	-	10,615	14,300	-
Use of money and property	12,676	6,805	1,070	(1,698)
Miscellaneous	-	-	-	-
Total Revenues	822,180	546,105	15,370	186,096
Expenditures:				
Current:				
General government	114,405	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	68,369	116,701	-	122,097
Debt service:				
Interest and fiscal charges	-	-	-	-
Total Expenditures	182,774	116,701	-	122,097
Excess (Deficiency) of Revenues Over (Under) Expenditures	639,406	429,404	15,370	63,999
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(403,155)	(172,300)	-	-
Total Other Financing Sources (Uses)	(403,155)	(172,300)	-	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 14)	-	-	-	-
Net Change in Fund Balances	236,251	257,104	15,370	63,999
Fund Balances, Beginning of Year	1,588,671	552,433	187,276	(168,163)
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	1,588,671	552,433	187,276	(168,163)
Fund Balances, End of Year	\$ 1,824,922	\$ 809,537	\$ 202,646	\$ (104,164)

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	11,393	-
Intergovernmental	100,000	9,972	-	-
Charges for services	-	-	-	-
Use of money and property	142	625	57	-
Miscellaneous	-	-	-	-
Total Revenues	100,142	10,597	11,450	-
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	100,000	16,599	-	-
Parks and recreation	-	-	23,467	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Interest and fiscal charges	-	-	-	-
Total Expenditures	100,000	16,599	23,467	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	142	(6,002)	(12,017)	-
Other Financing Sources (Uses):				
Transfers in	-	-	18,000	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	18,000	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 14)	-	-	-	-
Net Change in Fund Balances	142	(6,002)	5,983	-
Fund Balances, Beginning of Year	(844)	22,115	33,563	110
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	(844)	22,115	33,563	110
Fund Balances, End of Year	\$ (702)	\$ 16,113	\$ 39,546	\$ 110

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds		Capital Projects Funds	
	Parks Grant Fund	Prop 1B	Housing Redevelopment	Capital Projects RDA
Revenues:				
Taxes	\$ -	\$ -	\$ 761,254	\$ -
Assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	2,154	35,167	(22,544)
Miscellaneous	-	-	1,000	8,168
Total Revenues	-	2,154	797,421	(14,376)
Expenditures:				
Current:				
General government	-	-	518,513	1,199,053
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	320,211	-	-
Capital outlay	-	-	-	92,321
Debt service:				
Interest and fiscal charges	-	-	113,175	-
Total Expenditures	-	320,211	631,688	1,291,374
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(318,057)	165,733	(1,305,750)
Other Financing Sources (Uses):				
Transfers in	-	-	1,033,839	2,804,223
Transfers out	-	-	-	(447,253)
Total Other Financing Sources (Uses)	-	-	1,033,839	2,356,970
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 14)	-	-	(3,908,768)	(2,517,289)
Net Change in Fund Balances	-	(318,057)	(2,709,196)	(1,466,069)
Fund Balances, Beginning of Year	91	318,057	2,709,196	1,457,951
Restatements	-	-	-	8,118
Fund Balances, Beginning of Year, as Restated	91	318,057	2,709,196	1,466,069
Fund Balances, End of Year	\$ 91	\$ -	\$ -	\$ -

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Total Nonmajor Governmental Funds
Revenues:	
Taxes	\$ 761,254
Assessments	11,393
Intergovernmental	1,635,955
Charges for services	24,915
Use of money and property	34,454
Miscellaneous	9,168
	<hr/>
Total Revenues	2,477,139
Expenditures:	
Current:	
General government	1,831,971
Public safety	116,599
Parks and recreation	23,467
Public works	320,211
Capital outlay	399,488
Debt service:	
Interest and fiscal charges	113,175
	<hr/>
Total Expenditures	2,804,911
Excess (Deficiency) of Revenues Over (Under) Expenditures	<hr/> (327,772)
Other Financing Sources (Uses):	
Transfers in	3,856,062
Transfers out	(1,022,708)
	<hr/>
Total Other Financing Sources (Uses)	2,833,354
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 14)	<hr/> (6,426,057)
Net Change in Fund Balances	<hr/> (3,920,475)
Fund Balances, Beginning of Year	6,700,456
Restatements	8,118
	<hr/>
Fund Balances, Beginning of Year, as Restated	6,708,574
	<hr/>
Fund Balances, End of Year	\$ 2,788,099

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,588,671	\$ 1,588,671	\$ 1,588,671	\$ -
Resources (Inflows):				
Intergovernmental	521,000	521,000	809,504	288,504
Use of money and property	7,000	7,000	12,676	5,676
Amounts Available for Appropriations	2,116,671	2,116,671	2,410,851	294,180
Charges to Appropriations (Outflow):				
General government	-	-	114,405	(114,405)
Capital outlay	-	-	68,369	(68,369)
Transfers out	723,115	723,115	403,155	319,960
Total Charges to Appropriations	723,115	723,115	585,929	137,186
Budgetary Fund Balance, June 30	\$ 1,393,556	\$ 1,393,556	\$ 1,824,922	\$ 431,366

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
PROP A TAX
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 552,433	\$ 552,433	\$ 552,433	\$ -
Resources (Inflows):				
Intergovernmental	690,000	690,000	528,685	(161,315)
Charges for services	-	-	10,615	10,615
Use of money and property	10,000	10,000	6,805	(3,195)
Amounts Available for Appropriations	1,252,433	1,252,433	1,098,538	(153,895)
Charges to Appropriations (Outflow):				
Capital outlay	-	-	116,701	(116,701)
Transfers out	171,000	171,000	172,300	(1,300)
Total Charges to Appropriations	171,000	171,000	289,001	(118,001)
Budgetary Fund Balance, June 30	\$ 1,081,433	\$ 1,081,433	\$ 809,537	\$ (271,896)

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
RESIDENTIAL CONSTRUCTION
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 187,276	\$ 187,276	\$ 187,276	\$ -
Resources (Inflows):				
Charges for services	4,000	4,000	14,300	10,300
Use of money and property	2,000	2,000	1,070	(930)
Amounts Available for Appropriations	193,276	193,276	202,646	9,370
Budgetary Fund Balance, June 30	\$ 193,276	\$ 193,276	\$ 202,646	\$ 9,370

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 CDBG GRANT
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (168,163)	\$ (168,163)	\$ (168,163)	\$ -
Resources (Inflows):				
Intergovernmental	-	185,107	187,794	2,687
Use of money and property	-	-	(1,698)	(1,698)
Amounts Available for Appropriations	(168,163)	16,944	17,933	989
Charges to Appropriations (Outflow):				
Capital outlay	-	-	122,097	(122,097)
Total Charges to Appropriations	-	-	122,097	(122,097)
Budgetary Fund Balance, June 30	\$ (168,163)	\$ 16,944	\$ (104,164)	\$ (121,108)

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (844)	\$ (844)	\$ (844)	\$ -
Resources (Inflows):				
Intergovernmental	-	100,000	100,000	-
Use of money and property	-	-	142	142
Amounts Available for Appropriations	(844)	99,156	99,298	142
Charges to Appropriations (Outflow):				
Public safety	-	-	100,000	(100,000)
Total Charges to Appropriations	-	-	100,000	(100,000)
Budgetary Fund Balance, June 30	\$ (844)	\$ 99,156	\$ (702)	\$ (99,858)

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
LOCAL LAW ENFORCEMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 22,115	\$ 22,115	\$ 22,115	\$ -
Resources (Inflows):				
Intergovernmental	-	9,972	9,972	-
Use of money and property	-	-	625	625
Amounts Available for Appropriation	22,115	32,087	32,712	625
Charges to Appropriation (Outflow):				
Public safety	-	-	16,599	(16,599)
Total Charges to Appropriations	-	-	16,599	(16,599)
Budgetary Fund Balance, June 30	\$ 22,115	\$ 32,087	\$ 16,113	\$ (15,974)

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
LIGHTING DISTRICT #67
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 33,563	\$ 33,563	\$ 33,563	\$ -
Resources (Inflows):				
Assessments	12,000	12,000	11,393	(607)
Use of money and property	-	-	57	57
Transfers in	18,000	18,000	18,000	-
Amounts Available for Appropriations	63,563	63,563	63,013	(550)
Charges to Appropriations (Outflow):				
Parks and recreation	30,000	30,000	23,467	6,533
Total Charges to Appropriations	30,000	30,000	23,467	6,533
Budgetary Fund Balance, June 30	\$ 33,563	\$ 33,563	\$ 39,546	\$ 5,983

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CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012

	<u>Vehicle Replacement & Maintenance</u>	<u>Self-Insurance</u>	<u>Technology & Communication</u>
Assets:			
Current:			
Cash and investments	\$ 1,337,490	\$ 3,261,823	\$ 566,489
Due from other governments	21,207	100,806	-
Total Current Assets	1,358,697	3,362,629	566,489
Noncurrent:			
Capital assets - net of accumulated depreciation	638,741	-	22,348
Total Noncurrent Assets	638,741	-	22,348
Total Assets	\$ 1,997,438	\$ 3,362,629	\$ 588,837
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 13,567	\$ 583	\$ 2,004
Accrued liabilities	7,411	4,335	4,969
Accrued compensated absences	9,012	4,708	3,589
Accrued claims and judgments	-	267,785	-
Total Current Liabilities	29,990	277,411	10,562
Noncurrent:			
Accrued compensated absences	29,678	9,363	4,669
Accrued claims and judgments	-	1,010,000	-
Total Noncurrent Liabilities	29,678	1,019,363	4,669
Total Liabilities	59,668	1,296,774	15,231
Net Assets:			
Invested in capital assets, net of related debt	638,741	-	22,348
Unrestricted	1,299,029	2,065,855	551,258
Total Net Assets	1,937,770	2,065,855	573,606
Total Liabilities and Net Assets	\$ 1,997,438	\$ 3,362,629	\$ 588,837

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012

	<u>Facilities Repair & Maintenance</u>	<u>Total</u>
Assets:		
Current:		
Cash and investments	\$ 299,588	\$ 5,465,390
Due from other governments	-	122,013
Total Current Assets	299,588	5,587,403
Noncurrent:		
Capital assets - net of accumulated depreciation	-	661,089
Total Noncurrent Assets	-	661,089
Total Assets	\$ 299,588	\$ 6,248,492
Liabilities and Net Assets:		
Liabilities:		
Current:		
Accounts payable	\$ 1,544	\$ 17,698
Accrued liabilities	-	16,715
Accrued compensated absences	-	17,309
Accrued claims and judgments	-	267,785
Total Current Liabilities	1,544	319,507
Noncurrent:		
Accrued compensated absences	-	43,710
Accrued claims and judgments	-	1,010,000
Total Noncurrent Liabilities	-	1,053,710
Total Liabilities	1,544	1,373,217
Net Assets:		
Invested in capital assets, net of related debt	-	661,089
Unrestricted	298,044	4,214,186
Total Net Assets	298,044	4,875,275
Total Liabilities and Net Assets	\$ 299,588	\$ 6,248,492

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication
Operating Revenues:			
Sales and service charges	\$ 362,943	\$ 515,225	\$ 309,180
Miscellaneous	134,664	122,906	143
Total Operating Revenues	497,607	638,131	309,323
Operating Expenses:			
Services and supplies	271,405	190,702	202,310
Claims expense	-	867,932	-
Depreciation expense	126,988	-	18,099
Personnel and administrative	246,805	118,179	143,102
Total Operating Expenses	645,198	1,176,813	363,511
Operating Income (Loss)	(147,591)	(538,682)	(54,188)
Nonoperating Revenues (Expenses):			
Interest revenue	7,180	18,871	2,587
Gain (loss) on disposal of capital assets	(5,445)	-	-
Total Nonoperating Revenues (Expenses)	1,735	18,871	2,587
Income (Loss) Before Transfers	(145,856)	(519,811)	(51,601)
Transfers in	-	-	-
Transfers out	-	-	-
Changes in Net Assets	(145,856)	(519,811)	(51,601)
Net Assets:			
Beginning of Year	2,083,626	2,585,666	625,207
End of Fiscal Year	\$ 1,937,770	\$ 2,065,855	\$ 573,606

CITY OF IMPERIAL BEACH

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>Facilities Repair & Maintenance</u>	<u>Total</u>
Operating Revenues:		
Sales and service charges	\$ -	\$ 1,187,348
Miscellaneous	-	257,713
Total Operating Revenues	<u>-</u>	<u>1,445,061</u>
Operating Expenses:		
Services and supplies	6,817	671,234
Claims expense	-	867,932
Depreciation expense	-	145,087
Personnel and administrative	-	508,086
Total Operating Expenses	<u>6,817</u>	<u>2,192,339</u>
Operating Income (Loss)	<u>(6,817)</u>	<u>(747,278)</u>
Nonoperating Revenues (Expenses):		
Interest revenue	1,689	30,327
Gain (loss) on disposal of capital assets	-	(5,445)
Total Nonoperating Revenues (Expenses)	<u>1,689</u>	<u>24,882</u>
Income (Loss) Before Transfers	<u>(5,128)</u>	<u>(722,396)</u>
Transfers in	5,000	5,000
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>
Changes in Net Assets	<u>(5,128)</u>	<u>(722,396)</u>
Net Assets:		
Beginning of Year	<u>303,172</u>	<u>5,597,671</u>
End of Fiscal Year	<u><u>\$ 298,044</u></u>	<u><u>\$ 4,875,275</u></u>

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication
Cash Flows from Operating Activities:			
Cash received from/(paid to) interfund service provided	\$ 508,824	\$ 545,962	\$ 309,323
Cash paid to suppliers for goods and services	(265,766)	(464,240)	(208,556)
Cash paid to employees for services	(246,692)	(108,525)	(140,656)
Net Cash Provided (Used) by Operating Activities	(3,634)	(26,803)	(39,889)
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	-	-	-
Cash transfers in	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	-	-	-
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(6,401)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(6,401)	-	-
Cash Flows from Investing Activities:			
Interest received	7,180	18,871	2,587
Net Cash Provided (Used) by Investing Activities	7,180	18,871	2,587
Net Increase (Decrease) in Cash and Cash Equivalents	(2,855)	(7,932)	(37,302)
Cash and Cash Equivalents at Beginning of Year	1,340,345	3,269,755	603,791
Cash and Cash Equivalents at End of Year	\$ 1,337,490	\$ 3,261,823	\$ 566,489
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (147,591)	\$ (538,682)	\$ (54,188)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	126,988	-	18,099
(Increase) decrease in accounts receivable	7,739	-	-
(Increase) decrease in due from other governments	395	(92,169)	-
(Increase) decrease in inventory	3,083	-	-
Increase (decrease) in accounts payable	5,639	(546)	(6,246)
Increase (decrease) in accrued liabilities	2,078	2,708	1,001
Increase (decrease) in claims and judgments	-	594,940	-
Increase (decrease) in compensated absences	(1,965)	6,946	1,445
Total Adjustments	143,957	511,879	14,299
Net Cash Provided (Used) by Operating Activities	\$ (3,634)	\$ (26,803)	\$ (39,889)

Non-Cash Investing, Capital, and Financing Activities:

During fiscal year 2011-2012, there was no noncash investing, capital of financing activities.

CITY OF IMPERIAL BEACH

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012**

	Facilities Repair & Maintenance	Total
Cash Flows from Operating Activities:		
Cash received from/(paid to) interfund service provided	\$ -	\$ 1,364,109
Cash paid to suppliers for goods and services	(5,273)	(943,835)
Cash paid to employees for services	-	(495,873)
Net Cash Provided (Used) by Operating Activities	(5,273)	(75,599)
Cash Flows from Non-Capital Financing Activities:		
Cash transfers out	(5,000)	(5,000)
Cash transfers in	5,000	5,000
Net Cash Provided (Used) by Non-Capital Financing Activities	-	-
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	-	(6,401)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(6,401)
Cash Flows from Investing Activities:		
Interest received	1,689	30,327
Net Cash Provided (Used) by Investing Activities	1,689	30,327
Net Increase (Decrease) in Cash and Cash Equivalents	(3,584)	(51,673)
Cash and Cash Equivalents at Beginning of Year	303,172	5,517,063
Cash and Cash Equivalents at End of Year	\$ 299,588	\$ 5,465,390
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (6,817)	\$ (747,278)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	-	145,087
(Increase) decrease in accounts receivable	-	7,739
(Increase) decrease in due from other governments	-	(91,774)
(Increase) decrease in inventory	-	3,083
Increase (decrease) in accounts payable	1,544	391
Increase (decrease) in accrued liabilities	-	5,787
Increase (decrease) in claims and judgments	-	594,940
Increase (decrease) in compensated absences	-	6,426
Total Adjustments	1,544	671,679
Net Cash Provided (Used) by Operating Activities	\$ (5,273)	\$ (75,599)

Non-Cash Investing, Capital, and Financing Activities:
During fiscal year 2011-2012, there was no noncash inve

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2012</u>
<u>Special Assessment Districts</u>				
Assets:				
Pooled cash and investments	\$ 509,041	\$ 14,667	\$ 61,001	\$ 462,707
Total Assets	<u>\$ 509,041</u>	<u>\$ 14,667</u>	<u>\$ 61,001</u>	<u>\$ 462,707</u>
Liabilities:				
Deposits payable	\$ 509,041	\$ 77,069	\$ 123,403	\$ 462,707
Total Liabilities	<u>\$ 509,041</u>	<u>\$ 77,069</u>	<u>\$ 123,403</u>	<u>\$ 462,707</u>