

CITY OF IMPERIAL BEACH, CALIFORNIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

Prepared By:
FINANCE DEPARTMENT

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CITY OF IMPERIAL BEACH
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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CITY OF IMPERIAL BEACH
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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Imperial Beach, California, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Imperial Beach, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the General Fund and Housing Authority Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014 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* in considering the City's internal control over financial reporting and compliance.

Lance, Solt & Lughard, LLP

Brea, California
November 20, 2014

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City of Imperial Beach, California

ADMINISTRATIVE SERVICES DEPARTMENT

825 Imperial Beach Blvd., Imperial Beach, CA 91932 Tel: (619) 628-1365 Fax: (619) 424-3481

Management's Discussion and Analysis

As management of the City of Imperial Beach, California (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with information found throughout the City's financial statements.

Financial Highlights

The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$86,702,190 (*net position*). Of this amount, \$30,065,416 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.

At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$23,502,641, an increase of \$1,003,281 in comparison with the prior year. Approximately 25.0% of this amount (\$5,873,897) is available for spending at the government's discretion (*unassigned fund balance*).

At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$12,985,879. The total of the *unassigned* component is \$5,932,087 or approximately 33% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the City include sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate agencies including the Successor Agency of the former RDA. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City's basic financial statements display four individual governmental funds (General Fund, Housing Authority, 2010 Bond Fund, and Other). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, housing authority, and 2010 bond. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Sewer operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of its retained risks and for its fleet of vehicles. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer operation and internal services fund which are considered to be major funds of the City.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains two different types of fiduciary funds. The *Private-purpose trust fund* is used to report resources held in trust for other entities. The *Agency fund* reports resources held by the City in a custodial capacity for individuals, private organizations and other governments. The City current has one agency fund, and one Private Trust fund (the Successor Agency of the Former RDA).

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$86,702,190 at the close of the most recent fiscal year.

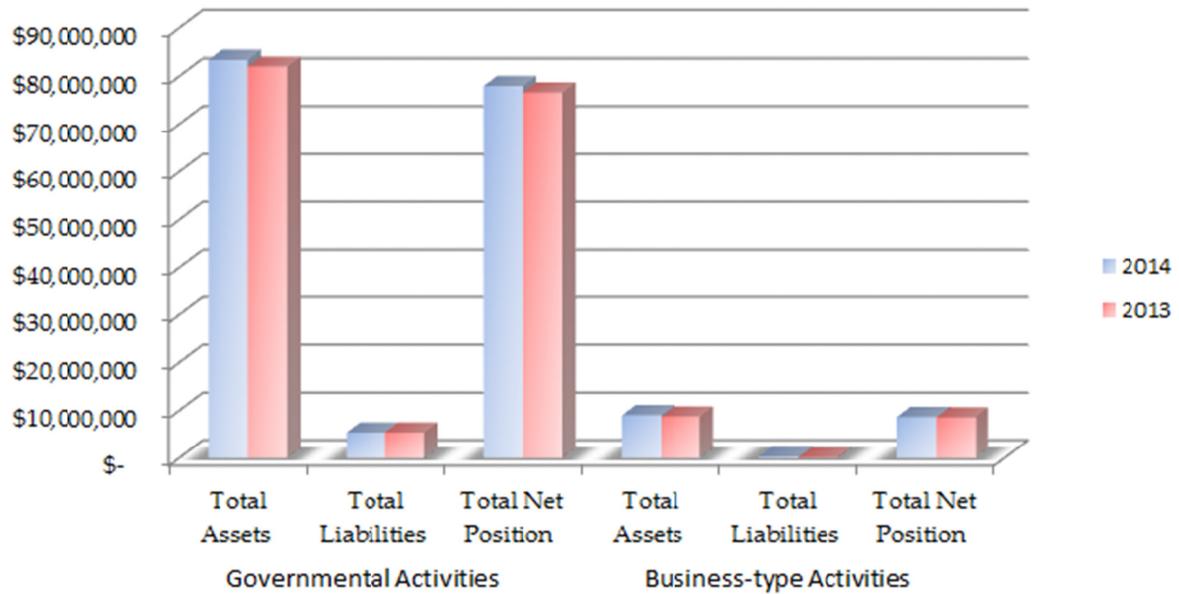
CITY OF IMPERIAL BEACH; Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 40,851,522	\$ 40,564,090	\$ 2,862,648	\$ 2,657,759	\$ 43,714,170	\$ 43,221,849
Capital Assets	42,533,566	41,453,331	6,151,141	6,078,158	48,684,707	47,531,489
Total Assets	83,385,088	82,017,421	9,013,789	8,735,917	92,398,877	90,753,338
Current Liabilities	2,872,710	2,846,158	259,840	89,876	3,132,550	2,936,034
Long-term Liabilities	2,501,970	2,526,982	62,167	62,932	2,564,137	2,589,914
Total Liabilities	5,374,680	5,373,140	322,007	152,808	5,696,687	5,525,948
Net Position:						
Net Investment in Capital	42,533,566	41,453,331	6,151,141	6,078,158	48,684,707	47,531,489
Restricted	7,952,067	15,655,189	-	-	7,952,067	15,655,189
Unrestricted	27,524,775	19,535,761	2,540,641	2,504,951	30,065,416	22,040,712
Total Net Position	\$ 78,010,408	\$ 76,644,281	\$ 8,691,782	\$ 8,583,109	\$ 86,702,190	\$ 85,227,390

Just over half of the City's net position (56%) reflects investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the City's net position, \$7,952,067 (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$30,065,416 (35%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.



The City's overall net position increased \$1,474,800 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$1,366,127 from the prior fiscal year restated net position, with an ending balance of \$78,010,048. The reason for the increase came primarily from additional Redevelopment Property Tax Trust Fund (RPTTF) pass-thru revenue received as part of the Recognized Obligation Payment Schedule. As well as fiscal control keeping expenses slightly below budget.

CITY OF IMPERIAL BEACH; Changes in Net Position

	2014	2013	2014	2013	2014	2013
REVENUE						
Program Revenue						
Charges for Services	\$ 2,111,942	\$ 6,648,285	\$ 4,129,946	\$ 3,988,249	\$ 6,241,888	\$ 10,636,534
Operating Grants	5,403,493	4,687,393	-	-	5,403,493	4,687,393
Capital Grants	1,971,701	2,548,551	-	-	1,971,701	2,548,551
General Revenue						
Property Tax	4,594,215	4,050,421	-	-	4,594,215	4,050,421
Other tax	5,858,143	5,843,150	-	-	5,858,143	5,843,150
Other	941,198	-	32,691	52,761	973,889	52,761
Total Revenue	20,880,692	23,777,800	4,162,637	4,041,010	25,043,329	27,818,810
EXPENSE						
General Government	3,680,695	10,975,086	-	-	3,680,695	10,975,086
Public Safety	10,520,799	10,742,085	-	-	10,520,799	10,742,085
Community Development	613,085	-	-	-	613,085	-
Pulic Works	2,875,724	2,278,148	-	-	2,875,724	2,278,148
Sanitation	-	-	4,053,964	4,149,335	4,053,964	4,149,335
Culture and Recreation	1,821,723	1,791,244	-	-	1,821,723	1,791,244
Total Expense	19,512,026	25,786,563	4,053,964	4,149,335	23,565,990	29,935,898
Restatement of Net Position	(2,539)	85,507	-	-	(2,539)	85,507
Increase in net position	1,366,127	(1,923,256)	108,673	(108,325)	1,474,800	(2,031,581)
Net position beginning	76,644,281	78,567,537	8,583,109	8,691,434	85,227,390	87,258,971
Net position ending	\$ 78,010,408	\$ 76,644,281	\$ 8,691,782	\$ 8,583,109	\$ 86,702,190	\$ 85,227,390

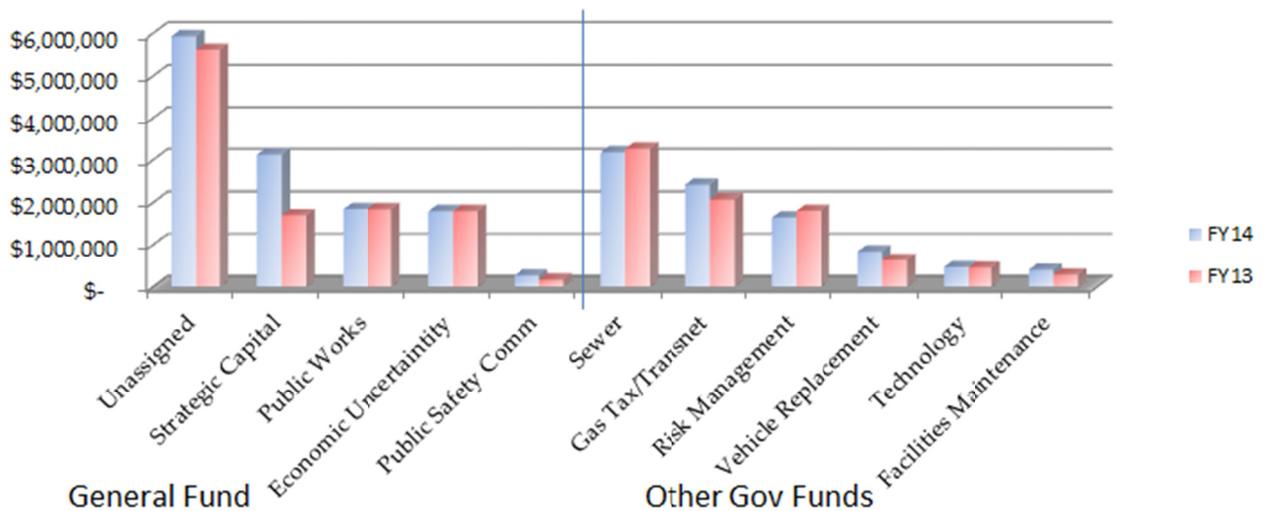
Business-type Activities. For the City's business-type activities, the results for the current fiscal year were positive, overall net position increased slightly reaching an ending balance of \$8,691,782. The total increase in net position for business-type activities (sewer fund) was \$108,673 or 1% from the prior fiscal year.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

At June 30, 2014, the City's governmental funds reported combined fund balances of \$23,502,641, a decrease of \$6,700,277 in comparison with the prior year. The reduction is primarily due to an accounting entry to re-class Housing Authority loans receivable as Deferred Revenue. Approximately 25% of this amount (\$5,873,897) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$2,622,885), 2) restricted for particular purposes (\$7,952,067), 3) committed for particular purposes (\$5,205,604), or 4) assigned for particular purposes (\$1,848,188).



The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,932,087, an increase of \$321,018. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately thirty-three percent (33%) of total general fund expenditures, while total fund balance represents approximately eighty-seven percent (87%) of that same amount.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the Sewer Fund at the end of the year was \$9,333,950. The total increase in net position was \$91,817. The unrestricted fund balance is \$3,182,809.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendment to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain employee benefits such as pensions and other postemployment benefits. Generally, the movement of the appropriations between departments was *not* significant.

Final budget compared to actual results. The differences between estimated and actual revenues (resources) and expenses (outflows) were as follows:

	Final Budget	Actual Amount	Variance Positive (Negative)
Resources (Inflows)			
Taxes	\$ 8,161,388	\$ 8,940,810	\$ 779,422
Licenses and Permits	536,100	578,949	42,849
Intergovernmental	584,553	659,169	74,616
Charges for Services	7,213,605	7,205,627	(7,978)
Use of Money and Property	457,000	408,537	(48,463)
Fines and Foreitures	143,500	190,099	46,599
Miscellaneous	493,000	214,994	(278,006)
Transfers	871,000	779,240	(91,760)
			<u>\$ 517,279</u>
Charges (Outflows)			
General Government	\$ 3,547,966	\$ 3,177,886	\$ 370,080
Public Safety	10,782,538	10,616,637	165,901
Parks and Recreation	1,590,354	1,610,610	(20,256)
Public Works	2,415,561	2,216,667	198,894
Capital Outlay	315,265	267,563	47,702
Transfers Out	-	345,713	(345,713)
			<u>\$ 416,608</u>

The positive variance in resources came primarily from additional Redevelopment Property Tax Trust Fund (RPTTF) pass-thru revenue received as part of the Recognized Obligation Payment Schedule.

The favorable variance in outflows is primarily due to a conservative spending budget and strict fiscal control. The negative transfer out variance was triggered by the partial repayment of the City Loan to the Former Redevelopment Agency. A portion of the loan repayment was transferred to the Housing Authority per state law.

Capital Assets and Debt Administration

Capital assets. The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$48,648,707 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the sewer system. The total increase in capital assets for the current fiscal year was \$1,153,218 (1%).

City of Imperial Beach; Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,638,532	\$ 1,638,532	\$ -	\$ -	\$ 1,638,532	\$ 1,638,532
Right of Way	12,406,327	12,406,327	826,591	589,341	13,232,918	12,995,668
Construction in Progress	4,213,937	9,487,275	-	-	4,213,937	9,487,275
Structures	4,356,788	3,985,396	-	-	4,356,788	3,985,396
Equipment and Vehicles	1,508,346	694,659	-	-	1,508,346	694,659
Infrastructre	18,409,636	13,241,142	-	-	18,409,636	13,241,142
Sewer Systsem	-	-	5,324,550	5,488,817	5,324,550	5,488,817
	<u>\$ 42,533,566</u>	<u>\$ 41,453,331</u>	<u>\$ 6,151,141</u>	<u>\$ 6,078,158</u>	<u>\$ 48,684,707</u>	<u>\$ 47,531,489</u>

Long-term Debt. At the end of the current fiscal year, City did not have any outstanding debt. The City does recognize other long term liabilities (listed below).

The Successor Agency of the former RDA, which is a legally separate agency had outstanding long term debt totaling \$38,347,735 at the end of the fiscal year. In addition, the Successor Agency has a loan due to the City in the amount of \$2,622,885.

City of Imperial Beach; Long-term liabilities

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Other Post Employment Benefits	\$ 127,108	\$ 111,026	\$ -	\$ -	\$ 127,108	\$ 111,026
Compensated Absences	777,688	797,473	62,167	62,932	839,855	860,405
Claims & Judgments	1,597,174	1,618,483	-	-	1,597,174	1,618,483
	<u>\$ 2,501,970</u>	<u>\$ 2,526,982</u>	<u>\$ 62,167</u>	<u>\$ 62,932</u>	<u>\$ 2,564,137</u>	<u>\$ 2,589,914</u>

The City's total long-term liabilities decreased by \$25,777 (1%) reflecting the current liability for Post-Employment Benefits, Compensated Absences and Claims.

Requests for Information

This financial report is designed to provide a general overview of the City's financials for all those with an interest in the government's fiscal health. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Imperial Beach, Office of the Finance Director, 825 Imperial Beach Blvd., Imperial Beach, CA 91932. Or visit www.imperialbeachca.gov

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CITY OF IMPERIAL BEACH

STATEMENT OF NET POSITION
 JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 25,673,349	\$ 3,338,456	\$ 29,011,805
Receivables:			
Accounts	790,265	1,062	791,327
Notes and loans	8,551,552	-	8,551,552
Internal balances	642,168	(642,168)	-
Due from other governments	2,322,925	165,298	2,488,223
Inventories	1,088	-	1,088
Restricted assets:			
Cash and investments	247,290	-	247,290
Due from Successor Agency	2,622,885	-	2,622,885
Capital assets not being depreciated	18,258,796	826,591	19,085,387
Capital assets, net of depreciation	24,274,770	5,324,550	29,599,320
Total Assets	83,385,088	9,013,789	92,398,877
Liabilities:			
Accounts payable	1,646,831	51,796	1,698,627
Accrued liabilities	388,293	20,828	409,121
Unearned revenue	547,623	-	547,623
Deposits payable	289,963	-	289,963
Due to other governments	-	187,216	187,216
Noncurrent liabilities:			
Due within one year	732,624	16,949	749,573
Due in more than one year	1,769,346	45,218	1,814,564
Total Liabilities	5,374,680	322,007	5,696,687
Net Position:			
Investment in capital assets	42,533,566	6,151,141	48,684,707
Restricted for:			
Community development projects	5,258,343	-	5,258,343
Public safety	33,687	-	33,687
Public works	2,660,037	-	2,660,037
Unrestricted	27,524,775	2,540,641	30,065,416
Total Net Position	\$ 78,010,408	\$ 8,691,782	\$ 86,702,190

CITY OF IMPERIAL BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 3,680,695	\$ 736,179	\$ 469,636	\$ -
Public safety	10,520,799	662,584	4,492,309	-
Community development	613,085	-	75,000	-
Parks, recreation and senior center	1,821,723	52,094	-	-
Public works	2,875,724	661,085	366,548	1,971,701
Total Governmental Activities	19,512,026	2,111,942	5,403,493	1,971,701
Business-Type Activities:				
Sewer	4,053,964	4,129,946	-	-
Total Business-Type Activities	4,053,964	4,129,946	-	-
Total Primary Government	\$ 23,565,990	\$ 6,241,888	\$ 5,403,493	\$ 1,971,701

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

Total General Revenues and Extraordinary Items

Change in Net Position

Net Position at Beginning of Year

Restatement of Net Position

Net Position at End of Year

**Net (Expenses) Revenues and Changes in Net
Position**

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (2,474,880)	\$ -	\$ (2,474,880)
(5,365,906)	-	(5,365,906)
(538,085)	-	(538,085)
(1,769,629)	-	(1,769,629)
123,610	-	123,610
(10,024,890)	-	(10,024,890)
-	75,982	75,982
-	75,982	75,982
(10,024,890)	75,982	(9,948,908)
4,594,215	-	4,594,215
386,421	-	386,421
1,877,902	-	1,877,902
1,867,869	-	1,867,869
373,935	-	373,935
1,352,016	-	1,352,016
12,167	-	12,167
502,005	21,297	523,302
215,223	11,394	226,617
211,803	-	211,803
11,393,556	32,691	11,426,247
1,368,666	108,673	1,477,339
76,644,281	8,583,109	85,227,390
(2,539)	-	(2,539)
\$ 78,010,408	\$ 8,691,782	\$ 86,702,190

CITY OF IMPERIAL BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Special Revenue Fund Housing Authority</u>	<u>Capital Projects Fund C.I.P. 2010 Bond</u>
Assets:			
Pooled cash and investments	\$ 13,038,235	\$ 365,181	\$ 4,527,612
Receivables:			
Accounts	790,265	-	-
Notes and loans	-	8,551,552	-
Due from other governments	1,652,068	-	150,000
Due from other funds	418,725	-	-
Inventories	1,088	-	-
Restricted assets:			
Cash and investments	-	247,290	-
Due from Successor Agency	2,622,885	-	-
Total Assets	<u>\$ 18,523,266</u>	<u>\$ 9,164,023</u>	<u>\$ 4,677,612</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,411,499	\$ 963	\$ 29,971
Accrued liabilities	351,638	586	220
Unearned revenues	547,623	-	-
Deposits payable	289,963	-	-
Due to other funds	-	-	-
Total Liabilities	<u>2,600,723</u>	<u>1,549</u>	<u>30,191</u>
Deferred Inflows of Resources:			
Unavailable revenues	313,779	8,551,552	-
Total Deferred Inflows of Resources	<u>313,779</u>	<u>8,551,552</u>	<u>-</u>
Fund Balances:			
Nonspendable:			
Inventory	1,088	-	-
Due from Successor Agency	2,622,885	-	-
Restricted for:			
Community development projects	-	610,922	4,647,421
Public safety	-	-	-
Public works	-	-	-
Committed to:			
Community development projects	3,705	-	-
Economic Uncertainty Reserve	1,800,000	-	-
Strategic Capital Reserve	3,129,588	-	-
Regional Communication System	272,311	-	-
Assigned to:			
Public works	1,848,188	-	-
Unassigned	<u>5,930,999</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>15,608,764</u>	<u>610,922</u>	<u>4,647,421</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 18,523,266</u>	<u>\$ 9,164,023</u>	<u>\$ 4,677,612</u>

CITY OF IMPERIAL BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Other Governmental Funds	Total Governmental Funds
Assets:		
Pooled cash and investments	\$ 2,735,097	\$ 20,666,125
Receivables:		
Accounts	-	790,265
Notes and loans	-	8,551,552
Due from other governments	495,742	2,297,810
Due from other funds	-	418,725
Inventories	-	1,088
Restricted assets:		
Cash and investments	-	247,290
Due from Successor Agency	-	2,622,885
Total Assets	\$ 3,230,839	\$ 35,595,740
Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable	\$ 175,041	\$ 1,617,474
Accrued liabilities	1,539	353,983
Unearned revenues	-	547,623
Deposits payable	-	289,963
Due to other funds	418,725	418,725
Total Liabilities	595,305	3,227,768
Deferred Inflows of Resources:		
Unavailable revenues	-	8,865,331
Total Deferred Inflows of Resources	-	8,865,331
Fund Balances:		
Nonspendable:		
Inventory	-	1,088
Due from Successor Agency	-	2,622,885
Restricted for:		
Community development projects	-	5,258,343
Public safety	33,687	33,687
Public works	2,660,037	2,660,037
Committed to:		
Community development projects	-	3,705
Economic Uncertainty Reserve	-	1,800,000
Strategic Capital Reserve	-	3,129,588
Regional Communication System	-	272,311
Assigned to:		
Public works	-	1,848,188
Unassigned	(58,190)	5,872,809
Total Fund Balances	2,635,534	23,502,641
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,230,839	\$ 35,595,740

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CITY OF IMPERIAL BEACH

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Fund balances of governmental funds	\$ 23,502,641
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	41,253,136
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Compensated Absences	(724,111)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.	(127,108)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	8,865,331
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 position.	<u>5,240,519</u>
Net Position of governmental activities	<u><u>\$ 78,010,408</u></u>

CITY OF IMPERIAL BEACH

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
		<u>Housing Authority</u>	<u>C.I.P. 2010 Bond</u>
Revenues:			
Taxes	\$ 8,940,810	\$ -	\$ -
Assessments	-	-	-
Licenses and permits	578,949	-	-
Intergovernmental	659,169	-	-
Charges for services	7,205,627	-	150,000
Use of money and property	408,537	6,074	29,329
Fines and forfeitures	190,099	-	-
Contributions from Successor Agency	-	75,000	-
Miscellaneous	214,994	-	-
Total Revenues	18,198,185	81,074	179,329
Expenditures:			
Current:			
General government	3,177,886	-	56,899
Public safety	10,616,637	-	-
Community development	-	613,085	-
Parks and recreation	1,610,610	-	-
Public works	2,216,667	-	-
Capital outlay	267,563	-	382,301
Total Expenditures	17,889,363	613,085	439,200
Excess (Deficiency) of Revenues Over (Under) Expenditures	308,822	(532,011)	(259,871)
Other Financing Sources (Uses):			
Transfers in	779,240	223,043	-
Transfers out	(345,713)	-	-
Total Other Financing Sources (Uses)	433,527	223,043	-
Extraordinary gain/(loss)	-	211,803	-
Net Change in Fund Balances	742,349	(97,165)	(259,871)
Fund Balances, Beginning of Year, as previously reported	14,866,415	8,411,645	4,907,292
Restatements	-	(7,703,558)	-
Fund Balances, Beginning of Year, as restated	14,866,415	708,087	4,907,292
Fund Balances, End of Year	\$ 15,608,764	\$ 610,922	\$ 4,647,421

CITY OF IMPERIAL BEACH

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Other Governmental Funds	Total Governmental Funds
Revenues:		
Taxes	\$ -	\$ 8,940,810
Assessments	11,638	11,638
Licenses and permits	-	578,949
Intergovernmental	2,259,469	2,918,638
Charges for services	45,953	7,401,580
Use of money and property	20,074	464,014
Fines and forfeitures	-	190,099
Contributions from Successor Agency	-	75,000
Miscellaneous	229	215,223
Total Revenues	2,337,363	20,795,951
Expenditures:		
Current:		
General government	23,100	3,257,885
Public safety	-	10,616,637
Community development	-	613,085
Parks and recreation	24,817	1,635,427
Public works	20,538	2,237,205
Capital outlay	994,370	1,644,234
Total Expenditures	1,062,825	20,004,473
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,274,538	791,478
Other Financing Sources (Uses):		
Transfers in	443,584	1,445,867
Transfers out	(1,100,154)	(1,445,867)
Total Other Financing Sources (Uses)	(656,570)	-
Extraordinary gain/(loss)	-	211,803
Net Change in Fund Balances	617,968	1,003,281
Fund Balances, Beginning of Year, as previously reported	2,017,566	30,202,918
Restatements	-	(7,703,558)
Fund Balances, Beginning of Year, as restated	2,017,566	22,499,360
Fund Balances, End of Year	\$ 2,635,534	\$ 23,502,641

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, 2014**

Net change in fund balances - total governmental funds \$ 1,003,281

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	\$ 1,355,988	
Depreciation	<u>(1,004,659)</u>	351,329

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.

16,772

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.

(16,082)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.

(165,053)

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.

178,419

Change in net position of governmental activities

\$ 1,368,666

CITY OF IMPERIAL BEACH

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2014

	<u>Enterprise Fund</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	
Assets:		
Current:		
Cash and investments	\$ 3,338,456	\$ 5,007,224
Receivables:		
Accounts	1,062	-
Due from other governments	165,298	25,115
	<u>3,504,816</u>	<u>5,032,339</u>
Total Current Assets		
Noncurrent:		
Capital assets - net of accumulated depreciation	6,151,141	1,280,430
	<u>6,151,141</u>	<u>1,280,430</u>
Total Noncurrent Assets		
	<u>\$ 9,655,957</u>	<u>\$ 6,312,769</u>
Liabilities and Net Position:		
Liabilities:		
Current:		
Accounts payable	51,796	29,357
Accrued liabilities	20,828	34,310
Due to other governments	187,216	-
Accrued compensated absences	16,949	8,323
Accrued claims and judgments	-	526,174
	<u>276,789</u>	<u>598,164</u>
Total Current Liabilities		
Noncurrent:		
Accrued compensated absences	45,218	45,254
Accrued claims and judgments	-	1,071,000
	<u>45,218</u>	<u>1,116,254</u>
Total Noncurrent Liabilities		
Total Liabilities	<u>322,007</u>	<u>1,714,418</u>
Net Position:		
Investment in capital assets	6,151,141	1,233,236
Unrestricted	3,182,809	3,365,115
	<u>9,333,950</u>	<u>4,598,351</u>
Total Net Position		
	<u>\$ 9,655,957</u>	<u>\$ 6,312,769</u>
Reconciliation of Net Position to the Statement of Net Position		
Net Position per Statement of Net Position - Proprietary Funds	\$ 9,333,950	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(659,024)	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds	16,856	
	<u>\$ 8,691,782</u>	
Net Position per Statement of Net Position		

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Enterprise Fund	Governmental Activities- Internal Service Funds
	Sewer	
Operating Revenues:		
Sales and service charges	\$ 4,129,946	\$ 1,440,024
Miscellaneous	11,394	228,236
Total Operating Revenues	4,141,340	1,668,260
Operating Expenses:		
Source of supply	3,605,803	684,703
Claims expense	-	26,214
Depreciation expense	164,267	118,425
Personnel and Administrative	300,750	681,634
Total Operating Expenses	4,070,820	1,510,976
Operating Loss	70,520	157,284
Nonoperating Revenues:		
Interest revenue	21,297	37,991
Total Nonoperating Revenues (Expenses)	21,297	37,991
Loss Before Transfers	91,817	195,275
Changes in Net Position	91,817	195,275
Net Position:		
Beginning of Year, as previously reported	9,242,133	4,405,615
Restatements	-	(2,539)
Beginning of Fiscal Year, as restated	9,242,133	4,403,076
End of Fiscal Year	\$ 9,333,950	\$ 4,598,351
Reconciliation of Changes in Net Position to the Statement of Activities:		
Changes in Net Position, per the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	\$ 91,817	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	16,856	
Changes in Net Position of Business-Type Activities per Statement of Activities	\$ 108,673	

CITY OF IMPERIAL BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2014

	Enterprise Fund	Governmental Activities- Internal Service Funds
	Sewer	
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 4,186,807	\$ -
Cash received from/(paid to) interfund service provided	-	1,669,748
Cash paid to suppliers for goods and services	(3,620,864)	(827,135)
Cash paid to employees for services	(303,706)	(588,092)
Net Cash Provided by Operating Activities	262,237	254,521
Cash Flows from Non-Capital Financing Activities:		
Advance from other funds	187,216	-
Net Cash Provided by Non-Capital Financing Activities	187,216	-
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(237,250)	(847,331)
Net Cash Used in Capital and Related Financing Activities	(237,250)	(847,331)
Cash Flows from Investing Activities:		
Interest received	21,297	37,991
Net Cash Provided by Investing Activities	21,297	37,991
Net Increase (Decrease) in Cash and Cash Equivalents	233,500	(554,819)
Cash and Cash Equivalents at Beginning of Year	3,104,956	5,562,043
Cash and Cash Equivalents at End of Year	\$ 3,338,456	\$ 5,007,224
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating loss	\$ 70,520	\$ 157,284
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	164,267	118,425
(Increase) decrease in accounts receivable	(258)	-
(Increase) decrease in due from other governments	45,725	1,488
Increase (decrease) in accounts payable	(15,061)	(4,665)
Increase (decrease) in accrued liabilities	(2,191)	-
Increase (decrease) in deposits payable	-	6,311
Increase (decrease) in claims and judgments	-	(23,848)
Increase (decrease) in compensated absences	(765)	(474)
Total Adjustments	191,717	97,237
Net Cash Provided (Used) by Operating Activities	\$ 262,237	\$ 254,521

CITY OF IMPERIAL BEACH

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	<u>Agency Funds</u>	<u>Private- Purpose Trust Fund Successor Agency of the Former RDA</u>
Assets:		
Pooled cash and investments	\$ 387,593	\$ 2,455,150
Land held for resale	-	17,048,281
Restricted assets:		
Cash and investments with fiscal agents	-	2,811,290
Total Assets	<u>\$ 387,593</u>	<u>22,314,721</u>
Liabilities:		
Accounts payable	\$ -	35,739
Accrued liabilities	-	2,648
Accrued interest	-	152,631
Due to bondholders	387,593	-
Due to City	-	2,622,885
Long-term liabilities:		
Due in one year	-	235,000
Due in more than one year	-	38,112,735
Total Liabilities	<u>\$ 387,593</u>	<u>41,161,638</u>
Net Position:		
Held in trust for other purposes		(18,846,917)
Total Net Position		<u>\$ (18,846,917)</u>

CITY OF IMPERIAL BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Private- Purpose Trust Fund Successor Agency of the Former RDA</u>
Additions:	
Taxes	\$ 1,862,118
Interest and change in fair value of investments	20,020
Miscellaneous	<u>63,357</u>
Total Additions	<u>1,945,495</u>
Deductions:	
Project Costs	117,568
Administrative expenses	315,703
Contractual services	575,235
Interest expense	<u>2,287,681</u>
Total Deductions	<u>3,296,187</u>
Changes in Net Position	(1,350,692)
Net Position - Beginning of the Year	(17,406,526)
Restatements	<u>(89,699)</u>
Net Position - Beginning of Year, as Restated	<u>(17,496,225)</u>
Net Position - End of the Year	<u>\$ (18,846,917)</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 (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'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 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 former 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 former Imperial Beach Redevelopment Agency. The Authority also acts as the Housing Successor Agency.

Note 1: Summary of Significant Accounting Policies (Continued)

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its blended 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.

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 one year 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 City's Housing Authority which was established to for the development of low and moderate income housing within the City.
- The C.I.P. 2010 Bond Capital Projects Fund accounts for projects funded with the proceeds of the 2010 Tax Allocation Bonds.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

- 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.

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.

d. Assets, Liabilities and Net Position 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 cash flow 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 blended 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."

Note 1: Summary of Significant Accounting Policies (Continued)

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.
- Capital outlay includes those activities that account for the purchase of fixed and capital assets.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

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 are 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

Deferred outflows/inflows of resources

In addition to assets, the statement of net position and governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of net position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources: property taxes, revenues from housing loans, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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, and 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.

Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Adopted Accounting Pronouncement

The City implemented GASB Statement 65, Items Previously Reported as Assets and Liabilities. GASB 65, among other things, amends prior guidance with respect to the treatment of debt issuance costs. Debt issuance costs should be recognized in the period incurred rather than reported on the statement of net position as deferred charges and recognized systematically over the life of the debt.

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.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

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.

II. DETAILED NOTES ON ALL FUNDS

Note 2: Cash and Investments

As of June 30, 2014, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 25,920,639
Business-Type activities	3,338,456
Fiduciary funds	<u>5,654,033</u>
Total Cash and Investments	<u>\$ 34,913,128</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, 2014, the carrying amount of the City's deposits was \$6,573,689 and the bank balance was \$6,684,593. The \$110,904 difference represents outstanding checks and other reconciling items.

Note 2: Cash and Investments (Continued)

The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities with a value of 110% of a city's deposits. California law also allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Investments

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

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

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

- 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.

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, 2014, 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 2: Cash and Investments (Continued)

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, 2014, 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, 2014, none of the City's deposits or investments was exposed to custodial credit risk.

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer to 25% of the total investment pool. With respect to concentration risk, as of June 30, 2014, 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, 2014, the City has investments with the following issuers, which exceed 5% of the total investment value:

Federal Farm Credit Bank	\$	2,667,416	9%
Federal Home Loan Bank		2,455,677	9%
Federal Home Loan Mortgage Corp.		2,510,697	9%
Federal National Mortgage Assoc.		3,319,169	12%
US Treasury Notes		5,443,358	19%
JP Morgan Chase		2,046,920	7%

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.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 2: Cash and Investments (Continued)

As of June 30, 2014, the City had the following investments and original maturities:

Investments	Investment Maturities (in Years)			Fair Value
	1 year or less	1 to 3 years	5 and more years	
California Local Agency Investment Fund	\$ 1,071,945	\$ -	\$ -	\$ 1,071,945
Federal Farm Credit Bank	501,255	2,166,161	-	2,667,416
Federal Home Loan Bank	-	2,455,677	-	2,455,677
Federal Home Loan Mortgage Corp.	-	2,007,980	502,717	2,510,697
Federal National Mortgage Assoc.	325,897	2,496,047	497,225	3,319,169
US Treasury Notes	500,625	4,942,733	-	5,443,358
Medium Term Notes	-	2,661,359	-	2,661,359
Corporate Bonds	1,357,593	3,100,300	940,994	5,398,887
Money Market Mutual Funds - held by fiscal agent	2,810,931	-	-	2,810,931
	<u>\$ 6,568,246</u>	<u>\$ 19,830,257</u>	<u>\$ 1,940,936</u>	<u>\$ 28,339,439</u>

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2014, 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	9,487,275	(6,460,928)	1,187,590	-	4,213,937
Total Capital Assets, Not Being Depreciated	<u>23,532,134</u>	<u>(6,460,928)</u>	<u>1,187,590</u>	<u>-</u>	<u>18,258,796</u>
Capital assets, being depreciated:					
Structures and improvements	7,710,709	650,952	-	-	8,361,661
Equipment and vehicles	4,105,463	-	1,015,729	-	5,121,192
Infrastructure	18,453,395	5,809,976	-	-	24,263,371
Total Capital Assets, Being Depreciated	<u>30,269,567</u>	<u>6,460,928</u>	<u>1,015,729</u>	<u>-</u>	<u>37,746,224</u>
Less accumulated depreciation:					
Structures and improvements	3,725,313	-	279,560	-	4,004,873
Equipment and vehicles	3,410,804	-	202,042	-	3,612,846
Infrastructure	5,212,253	-	641,482	-	5,853,735
Total Accumulated Depreciation	<u>12,348,370</u>	<u>-</u>	<u>1,123,084</u>	<u>-</u>	<u>13,471,454</u>
Total Capital Assets, Being Depreciated, Net	<u>17,921,197</u>	<u>6,460,928</u>	<u>(107,355)</u>	<u>-</u>	<u>24,274,770</u>
Governmental Activities Capital Assets, Net	<u>\$ 41,453,331</u>	<u>\$ -</u>	<u>\$ 1,080,235</u>	<u>\$ -</u>	<u>\$ 42,533,566</u>

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 3: Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 141,217
Public Safety	27,530
Public Works	649,167
Parks, Recreation and Senior Center	186,745
Internal Service Funds	<u>118,425</u>
Total Governmental Activities	<u>\$ 1,123,084</u>

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Business-Type Activities:					
Capital assets, not being depreciated:					
Construction-in-progress	\$ 589,341	\$ -	\$ 237,250	\$ -	\$ 826,591
Total Capital Assets, Not Being Depreciated	<u>589,341</u>	<u>-</u>	<u>237,250</u>	<u>-</u>	<u>826,591</u>
Capital assets, being depreciated:					
Sewer Lines and Pump Stations	9,192,865	-	-	39,200	9,153,665
Total Capital Assets, Being Depreciated	<u>9,192,865</u>	<u>-</u>	<u>-</u>	<u>39,200</u>	<u>9,153,665</u>
Less accumulated depreciation:					
Sewer Lines and Pump Stations	3,704,048	-	164,267	39,200	3,829,115
Total Accumulated Depreciation	<u>3,704,048</u>	<u>-</u>	<u>164,267</u>	<u>39,200</u>	<u>3,829,115</u>
Total Capital Assets, Being Depreciated, Net	<u>5,488,817</u>	<u>-</u>	<u>(164,267)</u>	<u>-</u>	<u>5,324,550</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,078,158</u>	<u>\$ -</u>	<u>\$ 72,983</u>	<u>\$ -</u>	<u>\$ 6,151,141</u>

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

Business-Type Activities:	
Sewer	<u>\$ 164,267</u>

Note 4: 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.

Note 4: Loans Receivable (Continued)

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, 2014, amounts to \$140,247 and is offset by unavailable revenue. The loan has not been fully disbursed at June 30, 2014. The outstanding balance at June 30, 2014, is \$769,855, including accrued interest.

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, 2014, amounts to \$115,276 and is offset by deferred revenue. The loan has not been fully disbursed at June 30, 2014. The outstanding balance at June 30, 2014, is \$601,731, 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, 2014, amounts to \$325,971 and is offset by deferred revenue. The outstanding balance at June 30, 2014, is \$2,270,971, including accrued interest.

CITY OF IMPERIAL BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Note 4: Loans Receivable (Continued)

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, 2014, amounts to \$266,500 and is offset by deferred revenue. The outstanding balance at June 30, 2014, is \$4,366,500, including accrued interest.

Habitat for Humanity, 10th and Donax

The Imperial Beach Housing Authority and the San Diego Habitat for Humanity entered into a note secured by deed of trust agreement, whereas the Housing Authority sold to Habitat for Humanity in exchange for a loan receivable and cash in the amount of \$211,495. The Loan bears 0% and is forgivable upon Habitat’s for Humanities timely completion of Affordable Units. As of June 30, 2014, the loan amount outstanding was \$542,495.

Total loans receivable at June 30, 2014, amounts to \$8,551,552.

Note 5: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2014, 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	\$ 418,725	\$ 418,725
Total	\$ 418,725	\$ 418,725

Due from Successor Agency

In previous fiscal years, the City made loans to the former redevelopment agency; now assumed by the Successor Agency (See Note 12 for further discussion). 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, 2014, loans made from the General Fund to the former Redevelopment Agency Capital Projects Fund, including accrued unpaid interest owed on those loans, were \$2,622,885.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 5: Interfund Receivable, Payable and Transfers (Continued)

Interfund Transfers

	Transfers In			Total
	General Fund	Housing Authority	Non-Major Governmental Fund	
<u>Transfers Out:</u>				
General Fund	\$ -	\$ 223,043	\$ 122,670	\$ 345,713
Nonmajor Govt Funds	779,240	-	320,914	1,100,154
Total	<u>\$ 779,240</u>	<u>\$ 223,043</u>	<u>\$ 443,584</u>	<u>\$ 1,445,867</u>

The City received \$1,115,215 as payment of the City Loan to the Successor Agency as per the Recognized Obligation Payment Schedule 13-14B. As per California Department of Finance regulations, the General Fund transferred 20% of that amount, or \$223,043, to the Housing Successor. 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 were made from the Gas Tax Fund to the C.I.P. 2010 Bond Fund for street projects. Transfers between the Transnet Prop A Fund and the CIP ECO Bikeway Fund to meet TDA Grant match requirements.

Note 6: Unavailable Revenue and Unearned Revenue

The General Fund recorded unavailable revenue of \$138,227 and \$10,176 related to sales tax and DUI revenue. Additionally, the General Fund recorded unavailable revenue of \$165,376 related to parking ticket revenue. The total, \$313,779, represent revenue that has been accrued but not yet received within the recognition periods.

General Fund unearned revenue consists of \$520,000 relating to a lease with the Unified Port District of San Diego and \$27,623 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, 2014, \$520,000 remains of this unearned lease revenue.

Note 7: 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, 2014:

	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014	Due Within One Year
Other Post-Employment Benefits Obligation	\$ 111,026	\$ 31,414	\$ 15,332	\$ 127,108	\$ -
Compensated Absences	797,473	517,639	537,424	777,688	206,450
Claims & Judgments	1,618,483	183,571	204,880	1,597,174	526,174
	<u>\$ 2,526,982</u>	<u>\$ 732,624</u>	<u>\$ 757,636</u>	<u>\$ 2,501,970</u>	<u>\$ 732,624</u>

CITY OF IMPERIAL BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Note 7: Long-Term Debt (Continued)

Other Post-Employment Benefits Obligation

The City's policies relating to other post-employment benefits are described in Note 9 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.

Claims and Judgments

The City's liability regarding self-insurance is described in Note 10 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, 2014:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Enterprise Fund:					
Compensated absences	\$ 62,932	\$ 20,998	\$ 21,763	\$ 62,167	\$ 16,949

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, 2014, 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 position 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.

III. OTHER INFORMATION

Note 8: 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 provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. CalPERS act 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 15.685% for miscellaneous employees, 26.149% for fire employees and 20.742% for ocean lifeguards, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

Required Contribution

For 2014, the City's required contribution of \$872,248 for CalPERS was equal to the City's actuarial required contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial costs method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.30% to 14.20% 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 2.75%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. CalPERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payrolls on a closed basis over 19, 18 and 16 years.

Three-Year Trend Information for PERS		
Fiscal Year Ending	Actual & Required Contribution	Percentage Contributed
<u>Miscellaneous Members</u>		
6/30/2012	\$ 497,428	100%
6/30/2013	557,282	100%
6/30/2014	570,439	100%
<u>Safety Members</u>		
6/30/2012	\$ 267,811	100%
6/30/2013	286,670	100%
6/30/2014	301,809	100%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 8: City Employees Retirement Plan (Continued)

For fiscal year 2013-2014, 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 9: 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 \$15,332 was made during the 2013-2014 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	2,076
Adjustments to ARC	<u>(5,158)</u>
Annual OPEB cost	31,414
Contributions made	<u>15,332</u>
(Decrease) increase in Net OPEB obligation	16,082
Net OPEB obligation (asset) - beginning of year	<u>111,026</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ 127,108</u></u>

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9: Other Post-Employment Benefits (Continued)

The City contributed 48.81% or \$15,332 of the Annual OPEB Cost of \$31,414; 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 2013-2014, 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)
6/30/2012	\$ 32,781	\$ 8,089	24.68%	\$ 89,058
6/30/2013	32,000	10,032	31.35%	111,026
6/30/2014	31,414	15,332	48.81%	127,108

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 9: 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, 2014, was twenty-five years. The number of current employees who are eligible to participate in OPEB once retired is 72, the number of retirees currently receiving benefits are 9, 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 10: 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 \$2,500,000 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 \$2,500,000 up to \$44,500,000 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 \$50,000,000 are covered by excess purchased insurance.

The City established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risk of loss when it became a member of SANDPIPA, PEPIC 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 \$1,077,278 reported at June 30, 2014, is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The above amount includes an estimate for incurred but not reported claims.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 10: Self-Insurance Program (Continued)

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

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

	<u>2012-2013</u>	<u>2013-2014</u>
Claims outstanding at beginning of year	\$ 1,277,785	\$ 1,618,483
Claims and changes in estimates	567,274	183,571
Claim payments	<u>(226,576)</u>	<u>(204,880)</u>
Claims outstanding at end of year	<u>\$ 1,618,483</u>	<u>\$ 1,597,174</u>

Note 11: Contingencies

Litigation

The City is involved in various lawsuits of which the outcome was undetermined as of June 30, 2014. No amount has been accrued for these contingent amounts.

Sand Replenishment Claims

Argoud et al. vs. City of Imperial Beach:

In January of 2014, the City was served with a lawsuit from various homeowners and homeowner associations (Plaintiffs) relating to the City's involvement with a SANDAG sand replenishment project, in which SANDAG performed on the beach in Imperial Beach. The Plaintiffs allege that SANDAG, the City of San Diego, the City of Imperial Beach, the State of California, the California Coastal Commission and the Department of Fish and Wildlife control the shoreline, beach and sand below the mean high tide line along South Seacoast Drive. Plaintiffs allege that the governmental agencies negligently reconfigured the beach, sand and shoreline along South Seacoast Drive in and in front of their properties. According to Plaintiffs, the governmental agencies failed to account for and reasonable foresee the known future high tides and accustomed high winter surf and negligently created a dangerous condition of public property in violation of state law.

Additional Sand Claims:

On July 29, 2014, the City received new claims, in relation to the City's involvement in the SANDAG sand replenishment project, from various homeowners and homeowner associations. These claims arise out of alleged water intrusion incidents and damages on January 27, 2014, March 1, 2014, and continuing. These claims are seeking an estimated \$150,000,000 in damages for personal injuries, emotional distress, costs of repairs, and diminution of property value. The Plaintiffs have until February 26, 2015, to file a second lawsuit or incorporate them into the existing lawsuit above.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 11: Contingencies (Continued)

Navy Billing

It was discovered in 2013 that the Navy no longer discharged sewage into the City's system and instead directly discharged into the San Diego system. Once San Diego discovered this, they wanted to bill the Navy at a higher rate. In 2013, San Diego approached the City and asked the City to reimburse San Diego going back four years for the higher rate that they would have charged the Navy. San Diego sought reimbursement from the City in the amount of \$546,240. In August of 2013, the City rejected that request. In April of 2014, San Diego made a new offer to have the City pay San Diego \$280,416 to settle the Navy billing dispute. The City accepted this offer and responded to San Diego in June of 2014 with a draft settlement agreement. This amount has been accrued by the City as a liability to the City of San Diego as of June 30, 2014.

The following material construction commitments existed at June 30, 2014:

Project Name	Contract Amount	Expenditures to date as of June 30, 2014	Remaining Commitments
10th & Donax	\$ 260,801	\$ 238,807	\$ 21,994
9th & Palm Shopping Center	173,787	113,311	60,476
Street Improvement Phase III	194,015	95,937	98,078

Note 12: Successor Agency Trust for Assets of the 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 November 1, 2011, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011,) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 12: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

a. Cash and investments

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

Cash and investments pooled with the City	\$ 2,455,150
Cash and investments with fiscal agent	<u>2,811,290</u>
	<u>\$ 5,266,440</u>

b. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2014, follows:

	Balance July 1, 2013	Additions	Repayments	Balance June 30, 2014	Due Within One Year
Fiduciary Funds:					
2003 Tax Allocation, Series A	\$ 17,965,000	\$ -	\$ 17,965,000	\$ -	\$ -
2010 Tax Allocation Bonds	21,465,000	-	230,000	21,235,000	235,000
2013 Tax Allocation Bonds	-	17,260,000	-	17,260,000	-
Total Fiduciary Funds	<u>\$ 39,430,000</u>	<u>\$ 17,260,000</u>	<u>\$ 18,195,000</u>	38,495,000	<u>\$ 235,000</u>
			Unamortized Premiums/Discounts	(147,265)	
			Total Long-term Debt	<u>\$ 38,347,735</u>	

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. The bonds were defeased on January 14, 2014, by the issuance of new debt, the 2013 Refunding Tax Allocation Bonds (see below).

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 former 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 12: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

Although the bonds were issued by the Authority and loaned to the former 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, 2014, excluding unamortized original issue discount of \$669,873, is \$21,235,000.

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

	2010 Tax Allocation Bonds	
	Principal	Interest
2014 - 2015	\$ 235,000	\$ 1,041,106
2015 - 2016	245,000	1,034,056
2016 - 2017	255,000	1,026,706
2017 - 2018	265,000	1,018,419
2018 - 2019	275,000	1,009,144
2019 - 2024	1,580,000	4,869,819
2024 - 2029	2,020,000	4,470,319
2029 - 2034	3,810,000	3,905,969
2034 - 2039	10,180,000	2,223,238
2029 - 2044	2,370,000	121,463
Totals	\$ 21,235,000	\$ 20,720,239

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.

Tax Allocation Bonds, 2013

In January 2014, the Imperial Beach Public Financing Authority issued \$17,260,000 Tax Allocation Bonds, 2013. The proceeds of the bonds were to defease the 2003 Series A Tax Allocation Bonds. Interest on the bonds is payable semiannually and principal payments are due annually. Debt service payments occur from June 1, 2017, through June 1, 2033. Interest rates on the bonds range from 3.625% to 5% per annum. The balance at June 30, 2014, excluding unamortized original issue discount of \$522,608, is \$17,260,000.

CITY OF IMPERIAL BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Note 12: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

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

	2013 Tax Allocation Refunding Bonds	
	Principal	Interest
2014 - 2015	\$ -	\$ 790,463
2015 - 2016	-	790,463
2016 - 2017	145,000	790,463
2017 - 2018	760,000	784,663
2018 - 2019	790,000	754,263
2020 - 2024	4,515,000	3,215,563
2025 - 2029	5,590,000	2,115,988
2030 - 2033	5,460,000	699,000
Totals	\$ 17,260,000	\$ 9,940,866

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 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 \$69,156,105 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$1,862,118 and the debt service obligation on the bonds was \$2,517,681.

c. 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 10.

d. Commitments and Contingencies

At June 30, 2014, 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.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 13: Fund Balance and Net Position Restatements

Governmental Funds	
Self-Insurance Fund	
To restate compensated absences as of June 30, 2013	\$ (2,539)
Total governmental activities net position restatement	<u>\$ (2,539)</u>
Fiduciary Funds	
Successor Agency	
To restate interest expense on the 2010 TAB	\$ (89,699)
Total fiduciary net position restatements	<u>\$ (89,699)</u>

Note 14: Extraordinary Gain

On April 14, 2014, the Housing Authority fund sold property with a value of \$330,692 in exchange for a Loan Receivable amount of \$542,495; as a result, the Housing Authority fund experienced an extraordinary gain of \$211,803 during the period ended June 30, 2014.

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 14,866,415	\$ 14,866,415	\$ 14,866,415	\$ -
Resources (Inflows):				
Taxes	8,161,388	8,161,388	8,940,810	779,422
Licenses and permits	536,100	536,100	578,949	42,849
Intergovernmental	140,000	584,553	659,169	74,616
Charges for services	7,003,597	7,213,605	7,205,627	(7,978)
Use of money and property	457,000	457,000	408,537	(48,463)
Fines and forfeitures	143,500	143,500	190,099	46,599
Miscellaneous	483,000	493,000	214,994	(278,006)
Transfers in	871,000	871,000	779,240	(91,760)
Amounts Available for Appropriation	32,662,000	33,326,561	33,843,840	517,279
Charges to Appropriation (Outflow):				
General government				
Mayor/City Council	159,457	169,457	175,571	(6,114)
City Clerk's Office	287,430	308,330	262,744	45,586
City Manager	365,537	469,742	479,062	(9,320)
Economic Development	105,549	105,549	57,157	48,392
Personnel	203,541	203,540	228,066	(24,526)
Administrative Services	519,237	581,037	578,619	2,418
City Attorneys	205,000	205,000	172,543	32,457
Community Development	517,436	512,336	461,931	50,405
General government	-	344,307	300,510	43,797
Facilities Maintenance	282,850	282,850	224,181	58,669
Non-Departmental	286,058	365,818	237,502	128,316
Public safety				
Law Enforcement Contract	6,406,600	6,292,250	6,230,752	61,498
Fire Protection Rescue	2,135,863	2,270,022	2,299,282	(29,260)
Ocean Beach Safety	1,429,698	1,418,843	1,390,660	28,183
Building Inspection	353,133	353,133	292,956	60,177
Animal Control	275,111	269,811	265,883	3,928
Code Enforcement	170,333	170,333	132,937	37,396
AVA Program	8,146	8,146	4,167	3,979
Parks and recreation				
Recreation Svcs. & Skatepark	120,508	114,508	141,121	(26,613)
Park Maintenance	460,781	461,182	482,621	(21,439)
Senior Services	101,484	101,484	91,464	10,020
Tideland Maintenance	913,180	913,180	895,404	17,776
Public works				
Street Maintenance	1,042,662	1,133,638	1,029,241	104,397
Public Works Admin.	614,701	666,631	646,040	20,591
Solid Waste Management	84,931	208,104	179,667	28,437
Treasury	119,113	76,113	77,449	(1,336)
Facilities - Sewer/Stormwater	342,480	331,075	284,270	46,805
Capital outlay	25,000	315,265	267,563	47,702
Transfers out	17,800	-	345,713	(345,713)
Total Charges to Appropriations	17,553,619	18,651,684	18,235,076	416,608
Budgetary Fund Balance, June 30	\$ 15,108,381	\$ 14,674,877	\$ 15,608,764	\$ 933,887

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 708,087	\$ 708,087	\$ 708,087	\$ -
Resources (Inflows):				
Use of money and property	-	-	6,074	6,074
Transfers in	-	298,043	223,043	(75,000)
Contributions from Successor Agency	-	-	75,000	75,000
Amounts Available for Appropriation	708,087	1,006,130	1,012,204	6,074
Charges to Appropriation (Outflow):				
Community development	-	591,804	613,085	(21,281)
Extraordinary (gain)/loss	-	330,690	(211,803)	542,493
Total Charges to Appropriations	-	922,494	401,282	521,212
Budgetary Fund Balance, June 30	\$ 708,087	\$ 83,636	\$ 610,922	\$ 527,286

Note 1: 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, and the Residential Construction 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, 2014, 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 debt service funds. In addition, the Traffic Safety Fund, the Parks Grant Fund, and the Residential Construction Fund did not adopt a budget; therefore, a budget comparison is not shown.

CITY OF IMPERIAL BEACH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2014

Note 1: General Budget Policies (continued)

a. Excess of Expenditures Over Appropriations

Excess expenditures over appropriations were as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
General government			
Mayor/City Council	\$ 175,571	\$ 169,457	\$ 6,114
City Manager	479,062	469,742	9,320
Personnel	228,066	203,540	24,526
Public safety			
Fire Protection Rescue	2,299,282	2,270,022	29,260
Parks and recreation			
Recreation Svcs. & Skatepark	141,121	114,508	26,613
Park Maintenance	482,621	461,182	21,439
Public works			
Treasury	77,449	76,113	1,336
Transfers out	345,713	-	345,713
Housing Assets Fund:			
Community development	613,085	591,804	21,281

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CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>Special Revenue Funds</u>			
	<u>Gas Tax</u>	<u>Prop A Tax</u>	<u>Residential Construction</u>	<u>CDBG Grant</u>
Assets:				
Pooled cash and investments	\$ 2,079,718	\$ 294,540	\$ 241,906	\$ -
Due from other governments	88,600	-	-	304,403
Total Assets	<u>\$ 2,168,318</u>	<u>\$ 294,540</u>	<u>\$ 241,906</u>	<u>\$ 304,403</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 14,421	\$ 29,487	\$ -	\$ -
Accrued liabilities	14	805	-	-
Due to other funds	-	-	-	329,405
Total Liabilities	<u>14,435</u>	<u>30,292</u>	<u>-</u>	<u>329,405</u>
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Public works	2,153,883	264,248	241,906	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,002)</u>
Total Fund Balances	<u>2,153,883</u>	<u>264,248</u>	<u>241,906</u>	<u>(25,002)</u>
Total Liabilities and Fund Balances	<u>\$ 2,168,318</u>	<u>\$ 294,540</u>	<u>\$ 241,906</u>	<u>\$ 304,403</u>

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Assets:				
Pooled cash and investments	\$ 83,153	\$ 20,376	\$ 15,203	\$ 110
Due from other governments	16,145	-	-	-
Total Assets	\$ 99,298	\$ 20,376	\$ 15,203	\$ 110
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 100,000	\$ -	\$ 2,002	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	100,000	-	2,002	-
Fund Balances:				
Restricted for:				
Public safety	-	20,376	13,201	110
Public works	-	-	-	-
Unassigned	(702)	-	-	-
Total Fund Balances	(702)	20,376	13,201	110
Total Liabilities and Fund Balances	\$ 99,298	\$ 20,376	\$ 15,203	\$ 110

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special	Capital Projects Fund		Total Governmental Funds
	Revenue Funds			
	Parks Grant Fund	Capital Projects	Parks Maintenance CIP	
Assets:				
Pooled cash and investments	\$ 91	\$ -	\$ -	\$ 2,735,097
Due from other governments	-	86,594	-	495,742
Total Assets	\$ 91	\$ 86,594	\$ -	\$ 3,230,839
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 29,131	\$ -	\$ 175,041
Accrued liabilities	-	720	-	1,539
Due to other funds	-	89,314	6	418,725
Total Liabilities	-	119,165	6	595,305
Fund Balances:				
Restricted for:				
Public safety	-	-	-	33,687
Public works	-	-	-	2,660,037
Unassigned	91	(32,571)	(6)	(58,190)
Total Fund Balances	91	(32,571)	(6)	2,635,534
Total Liabilities and Fund Balances	\$ 91	\$ 86,594	\$ -	\$ 3,230,839

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CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	Gas Tax	Prop A Tax	Residential Construction	CDBG Grant
Revenues:				
Assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	907,042	631,100	-	386,972
Charges for services	-	21,653	24,300	-
Use of money and property	12,947	1,882	1,750	-
Miscellaneous	-	-	-	229
Total Revenues	919,989	654,635	26,050	387,201
Expenditures:				
Current:				
General government	10,138	-	-	-
Parks and recreation	-	-	-	-
Public works	5,301	15,093	-	-
Capital outlay	34,814	64,554	-	386,570
Total Expenditures	50,253	79,647	-	386,570
Excess (Deficiency) of Revenues Over (Under) Expenditures	869,736	574,988	26,050	631
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(382,740)	(717,414)	-	-
Total Other Financing Sources (Uses)	(382,740)	(717,414)	-	-
Net Change in Fund Balances	486,996	(142,426)	26,050	631
Fund Balances, Beginning of Year	1,666,887	406,674	215,856	(25,633)
Fund Balances, End of Year	\$ 2,153,883	\$ 264,248	\$ 241,906	\$ (25,002)

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Revenues:				
Assessments	\$ -	\$ -	\$ 11,638	\$ -
Intergovernmental	100,000	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	-	122	-
Miscellaneous	-	-	-	-
Total Revenues	100,000	-	11,760	-
Expenditures:				
Current:				
General government	-	-	-	-
Parks and recreation	-	-	24,817	-
Public works	-	-	-	-
Capital outlay	100,000	-	-	-
Total Expenditures	100,000	-	24,817	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(13,057)	-
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	(13,057)	-
Fund Balances, Beginning of Year	(702)	20,376	26,258	110
Fund Balances, End of Year	\$ (702)	\$ 20,376	\$ 13,201	\$ 110

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special	Capital Projects Fund		Total Governmental Funds
	Revenue Funds	Capital Projects	Parks Maintenance CIP	
	Parks Grant Fund			
Revenues:				
Assessments	\$ -	-	-	\$ 11,638
Intergovernmental	-	234,355	-	2,259,469
Charges for services	-	-	-	45,953
Use of money and property	-	1,533	1,840	20,074
Miscellaneous	-	-	-	229
Total Revenues	-	235,888	1,840	2,337,363
Expenditures:				
Current:				
General government	-	12,962	-	23,100
Parks and recreation	-	-	-	24,817
Public works	-	144	-	20,538
Capital outlay	-	283,916	124,516	994,370
Total Expenditures	-	297,022	124,516	1,062,825
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(61,134)	(122,676)	1,274,538
Other Financing Sources (Uses):				
Transfers in	-	320,914	122,670	443,584
Transfers out	-	-	-	(1,100,154)
Total Other Financing Sources (Uses)	-	320,914	122,670	(656,570)
Net Change in Fund Balances	-	259,780	(6)	617,968
Fund Balances, Beginning of Year	91	(292,351)	-	2,017,566
Fund Balances, End of Year	\$ 91	\$ (32,571)	\$ (6)	\$ 2,635,534

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 GAS TAX
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,666,887	\$ 1,666,887	\$ 1,666,887	\$ -
Resources (Inflows):				
Intergovernmental	779,203	779,203	907,042	127,839
Use of money and property	18,000	18,000	12,947	(5,053)
Amounts Available for Appropriation	2,464,090	2,464,090	2,586,876	122,786
Charges to Appropriation (Outflow):				
General government	37,140	58,065	10,138	47,927
Public works	13,260	13,260	5,301	7,959
Capital outlay	68,803	450,803	34,814	415,989
Transfers out	678,000	678,000	382,740	295,260
Total Charges to Appropriations	797,203	1,200,128	432,993	767,135
Budgetary Fund Balance, June 30	\$ 1,666,887	\$ 1,263,962	\$ 2,153,883	\$ 889,921

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 PROP A TAX
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 406,674	\$ 406,674	\$ 406,674	\$ -
Resources (Inflows):				
Intergovernmental	644,186	644,186	631,100	(13,086)
Charges for services	12,400	12,400	21,653	9,253
Use of money and property	14,000	14,000	1,882	(12,118)
Amounts Available for Appropriation	1,077,260	1,077,260	1,061,309	(15,951)
Charges to Appropriation (Outflow):				
Public works	26,500	26,500	15,093	11,407
Capital outlay	451,000	1,089,675	64,554	1,025,121
Transfers out	193,000	193,000	717,414	(524,414)
Total Charges to Appropriations	670,500	1,309,175	797,061	512,114
Budgetary Fund Balance, June 30	\$ 406,760	\$ (231,915)	\$ 264,248	\$ 496,163

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 CDBG GRANT
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (25,633)	\$ (25,633)	\$ (25,633)	\$ -
Resources (Inflows):				
Intergovernmental	300,000	300,000	386,972	86,972
Miscellaneous	-	-	229	229
Amounts Available for Appropriation	274,367	274,367	361,568	87,201
Charges to Appropriation (Outflow):				
Capital outlay	-	438,654	386,570	52,084
Transfers out	300,000	-	-	-
Total Charges to Appropriations	300,000	438,654	386,570	52,084
Budgetary Fund Balance, June 30	\$ (25,633)	\$ (164,287)	\$ (25,002)	\$ 139,285

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (702)	\$ (702)	\$ (702)	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	100,000	-
Amounts Available for Appropriation	99,298	99,298	99,298	-
Charges to Appropriation (Outflow):				
Capital outlay	100,000	100,000	100,000	-
Total Charges to Appropriations	100,000	100,000	100,000	-
Budgetary Fund Balance, June 30	\$ (702)	\$ (702)	\$ (702)	\$ -

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
LOCAL LAW ENFORCEMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 20,376	\$ 20,376	\$ 20,376	\$ -
Resources (Inflows):				
Intergovernmental	30,000	30,000	-	(30,000)
Amounts Available for Appropriation	50,376	50,376	20,376	(30,000)
Charges to Appropriation (Outflow):				
Capital outlay	30,000	30,000	-	30,000
Total Charges to Appropriations	30,000	30,000	-	30,000
Budgetary Fund Balance, June 30	\$ 20,376	\$ 20,376	\$ 20,376	\$ -

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 LIGHTING DISTRICT #67
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 26,258	\$ 26,258	\$ 26,258	\$ -
Resources (Inflows):				
Assessments	12,000	12,000	11,638	(362)
Use of money and property	200	200	122	(78)
Transfers in	17,800	17,800	-	(17,800)
Amounts Available for Appropriation	56,258	56,258	38,018	(18,240)
Charges to Appropriation (Outflow):				
Parks and recreation	30,000	30,000	24,817	5,183
Total Charges to Appropriations	30,000	30,000	24,817	5,183
Budgetary Fund Balance, June 30	\$ 26,258	\$ 26,258	\$ 13,201	\$ (13,057)

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (292,351)	\$ (292,351)	\$ (292,351)	\$ -
Resources (Inflows):				
Intergovernmental	-	200,000	234,355	34,355
Use of money and property	-	-	1,533	1,533
Transfers in	-	25,000	320,914	295,914
Amounts Available for Appropriation	(292,351)	(67,351)	264,451	331,802
Charges to Appropriation (Outflow):				
General government	-	-	12,962	(12,962)
Public works	-	-	144	(144)
Capital outlay	-	307,861	283,916	23,945
Total Charges to Appropriations	-	307,861	297,022	10,839
Budgetary Fund Balance, June 30	\$ (292,351)	\$ (375,212)	\$ (32,571)	\$ 342,641

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 C.I.P. 2010 BOND
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,907,292	\$ 4,907,292	\$ 4,907,292	\$ -
Resources (Inflows):				
Charges for services	-	-	150,000	150,000
Use of money and property	-	-	29,329	29,329
Amounts Available for Appropriation	4,907,292	4,907,292	5,086,621	179,329
Charges to Appropriation (Outflow):				
General government	-	-	56,899	(56,899)
Capital outlay	-	320,747	382,301	(61,554)
Total Charges to Appropriations	-	320,747	439,200	(118,453)
Budgetary Fund Balance, June 30	\$ 4,907,292	\$ 4,586,545	\$ 4,647,421	\$ 60,876

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication	Facilities Repair & Maintenance	Totals
Assets:					
Current:					
Cash and investments	\$ 888,279	\$ 3,259,644	\$ 452,135	\$ 407,166	\$ 5,007,224
Due from other governments	25,115	-	-	-	25,115
Total Current Assets	913,394	3,259,644	452,135	407,166	5,032,339
Noncurrent:					
Capital assets - net of accumulated depreciation	1,233,236	-	47,194	-	1,280,430
Total Noncurrent Assets	1,233,236	-	47,194	-	1,280,430
Total Assets	\$ 2,146,630	\$ 3,259,644	\$ 499,329	\$ 407,166	\$ 6,312,769
Liabilities and Net Position:					
Liabilities:					
Current:					
Accounts payable	\$ 15,426	\$ 2,724	\$ 11,207	\$ -	\$ 29,357
Accrued liabilities	17,254	4,350	12,706	-	34,310
Accrued compensated absences	-	8,323	-	-	8,323
Accrued claims and judgments	-	526,174	-	-	526,174
Total Current Liabilities	32,680	541,571	23,913	-	598,164
Noncurrent:					
Accrued compensated absences	40,806	-	4,448	-	45,254
Accrued claims and judgments	-	1,071,000	-	-	1,071,000
Total Noncurrent Liabilities	40,806	1,071,000	4,448	-	1,116,254
Total Liabilities	73,486	1,612,571	28,361	-	1,714,418
Net Position:					
Investment in capital assets	1,233,236	-	-	-	1,233,236
Unrestricted	839,908	1,647,073	470,968	407,166	3,365,115
Total Net Position	2,073,144	1,647,073	470,968	407,166	4,598,351
Total Liabilities and Net Position	\$ 2,146,630	\$ 3,259,644	\$ 499,329	\$ 407,166	\$ 6,312,769

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication	Facilities Repair & Maintenance	Totals
Operating Revenues:					
Sales and service charges	\$ 572,388	\$ 257,136	\$ 471,504	\$ 138,996	\$ 1,440,024
Miscellaneous	146,914	80,998	324	-	228,236
Total Operating Revenues	719,302	338,134	471,828	138,996	1,668,260
Operating Expenses:					
Services and supplies	1,362	405,815	250,552	26,974	684,703
Claims expense	-	26,214	-	-	26,214
Depreciation expense	108,184	-	10,241	-	118,425
Personnel and administrative	343,826	87,705	250,103	-	681,634
Total Operating Expenses	453,372	519,734	510,896	26,974	1,510,976
Operating Loss	265,930	(181,600)	(39,068)	112,022	157,284
Nonoperating Revenues (Expenses):					
Intergovernmental	-	-	-	-	-
Interest revenue	8,125	23,873	3,231	2,762	37,991
Total Nonoperating Revenues	8,125	23,873	3,231	2,762	37,991
Changes in Net Position	274,055	(157,727)	(35,837)	114,784	195,275
Net Position:					
Beginning of Year, as originally reported	1,799,089	1,807,339	506,805	292,382	4,405,615
Restatements	-	(2,539)	-	-	(2,539)
Beginning of Fiscal Year, as restated	1,799,089	1,804,800	506,805	292,382	4,403,076
End of Fiscal Year	\$ 2,073,144	\$ 1,647,073	\$ 470,968	\$ 407,166	\$ 4,598,351

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication	Facilities Repair & Maintenance	Totals
Cash Flows from Operating Activities:					
Cash received from/(paid to) interfund service provided	\$ 718,098	\$ 340,826	\$ 471,828	\$ 138,996	\$ 1,669,748
Cash paid to suppliers for goods and services	6,508	(557,648)	(245,838)	(30,157)	(827,135)
Cash paid to employees for services	(342,993)	10,605	(255,704)	-	(588,092)
Net Cash Provided (Used) by Operating Activities	381,613	(206,217)	(29,714)	108,839	254,521
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(815,367)	-	(31,964)	-	(847,331)
accumulated depreciation					
Net Cash Used in Capital and Related Financing Activities	(815,367)	-	(31,964)	-	(847,331)
Cash Flows from Investing Activities:					
Interest received	8,125	23,873	3,231	2,762	37,991
Net Cash Provided by Investing Activities	8,125	23,873	3,231	2,762	37,991
Net Increase (Decrease) in Cash and Cash Equivalents	(425,629)	(182,344)	(58,447)	111,601	(554,819)
Cash and Cash Equivalents at Beginning of Year	1,313,908	3,441,988	510,582	295,565	5,562,043
Cash and Cash Equivalents at End of Year	\$ 888,279	\$ 3,259,644	\$ 452,135	\$ 407,166	\$ 5,007,224
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating loss	\$ 265,930	\$ (181,600)	\$ (39,068)	\$ 112,022	\$ 157,284
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	108,184	-	10,241	-	118,425
(Increase) decrease in due from other governments	(1,204)	2,692	-	-	1,488
Increase (decrease) in accounts payable	7,870	(14,066)	4,714	(3,183)	(4,665)
Increase (decrease) in accrued liabilities	716	1,811	3,784	-	6,311
Increase (decrease) in claims and judgments	-	(23,848)	-	-	(23,848)
Increase (decrease) in compensated absences	117	8,794	(9,385)	-	(474)
Total Adjustments	115,683	(24,617)	9,354	(3,183)	97,237
Net Cash Provided (Used) by Operating Activities	\$ 381,613	\$ (206,217)	\$ (29,714)	\$ 108,839	\$ 254,521

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET POSITION
ALL AGENCY FUNDS
JUNE 30, 2014

	<u>Special Assessment Districts</u>
Assets:	
Pooled cash and investments	<u>\$ 387,593</u>
Total Assets	<u><u>\$ 387,593</u></u>
Liabilities:	
Due to bondholders	<u>\$ 387,593</u>
Total Liabilities	<u><u>\$ 387,593</u></u>

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2014</u>
<u>Special Assessment Districts</u>				
Assets:				
Pooled cash and investments	\$ 383,374	\$ 5,219	\$ 1,000	\$ 387,593
Total Assets	<u>\$ 383,374</u>	<u>\$ 5,219</u>	<u>\$ 1,000</u>	<u>\$ 387,593</u>
Liabilities:				
Due to bondholders	\$ 383,374	\$ 5,219	\$ 1,000	\$ 387,593
Total Liabilities	<u>\$ 383,374</u>	<u>\$ 5,219</u>	<u>\$ 1,000</u>	<u>\$ 387,593</u>

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