LAST MINUTE AGENDA INFORMATION
3/19/14 Regular Meeting

(Agenda Related Writings/Documents provided to a majority of the City Council after distribution of the Agenda Packet for the March 19, 2014 Regular meeting.)

ITEM NO.	DESCRIPTION
5.1	**FISCAL YEAR 2013-2014 (FY2014) MID-YEAR BUDGET UPDATE, FISCAL YEAR 2012-2013 (FY2013) AUDIT UPDATE AND CONSIDERATION OF RESOLUTION NO. 2014-7459 ADOPTING AND APPROVING PERSONNEL ADJUSTMENTS AND ADJUSTING THE FISCAL YEARS 2014-2015 BUDGET AND ADJUSTING THE FISCAL YEARS 2014-2015 SALARY & COMPENSATION PLAN ALLOCATING RECOMMENDED PERSONNEL CHANGES. (0310-10, 0330-30, 0510-20& 0520-75)** a. Attachment 3 - Fiscal Year 2012-2013 Financial Audit"(FINAL DRAFT)

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CITY MANAGER &
CITY CLERK OFFICES

DRAFT

CITY OF IMPERIAL BEACH, CALIFORNIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

Prepared By:
FINANCE DEPARTMENT

Date: 3-17-14 Item No. 5.1
Last Minute Agenda Information

CITY OF IMPERIAL BEACH, CALIFORNIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

Date:_____Item No._____
Last Minute Agenda Information

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CITY OF IMPERIAL BEACH

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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CITY OF IMPERIAL BEACH

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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CERTIFIED PUBLIC ACCOUNTANTS
vpb A Division of LSL, CPAs
vilmure, peeler & boucher

• David E. Hale, CPA, CFP • Bryan S. Gruber, CPA
• Donald G. Slater, CPA • Deborah A. Harper, CPA
• Richard K. Kikuchi, CPA • Gary A. Cates, CPA
• Susan F. Matz, CPA • Michael D. Mangold, CPA
• Shelly K. Jackley, CPA • David S. Myers, CPA

DRAFT

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, 2013, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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, 2013, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Housing Authority for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

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

Paragraph to be removed

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 nonmajor 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 nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 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 City's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
January 29, 2014

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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 the fiscal year ended June 30, 2013. 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 $85,227,390 (*net position*). Of this amount, $22,040,712 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 $30,202,918, a decrease of $4,845,291 in comparison with the prior year. The reduction is primarily due to progress made during the year on capital projects related to the 2010 bond funds. Approximately 17.5% of this amount ($5,292,383) 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 $11,124,610, or approximately 66% of total general fund expenditures. The total of the *unassigned* component is $5,611,069 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 maintains five individual governmental funds (General Fund, Housing Authority, Capital Projects, 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, capital projects, 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 enterprises 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 $85,227,390 at the close of the most recent fiscal year.

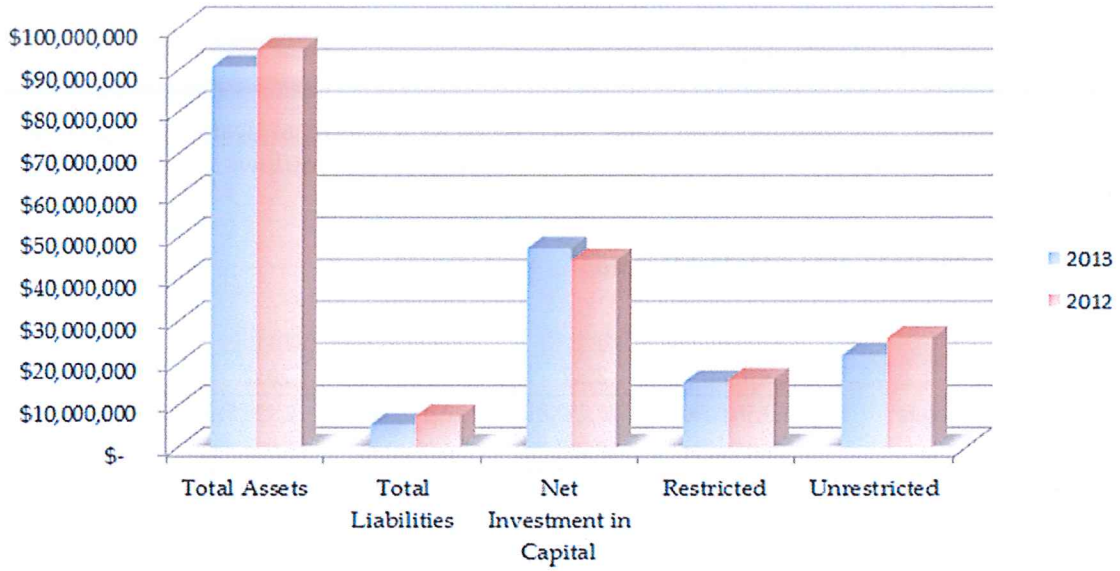
CITY OF IMPERIAL BEACH; Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	$ 40,564,090	$ 47,252,816	$ 2,657,759	$ 2,923,827	$ 43,221,849	$ 50,176,643
Capital Assets	41,453,331	38,732,720	6,078,158	5,974,890	47,531,489	44,707,610
Total Assets	82,017,421	85,985,536	8,735,917	8,898,717	90,753,338	94,884,253
Current Liabilities	2,846,158	5,197,224	89,876	152,131	2,936,034	5,349,355
Long-term Liabilites	2,526,982	2,220,775	62,932	55,152	2,589,914	2,275,927
Total Liabilities	5,373,140	7,417,999	152,808	207,283	5,525,948	7,625,282
Net Position:						
Net Investment in Capital	41,453,331	38,732,720	6,078,158	5,974,890	47,531,489	44,707,610
Restricted	15,655,189	16,362,636	-	-	15,655,189	16,362,636
Unrestricted	19,535,761	23,472,181	2,504,951	2,716,544	22,040,712	26,188,725
Total Net Position	$ 76,644,281	$ 78,567,537	$ 8,583,109	$ 8,691,434	$ 85,227,390	$ 87,258,971

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, $15,655,189 (18%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $22,040,712 (26%) 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.



However, the City's overall net position decreased $2,117,088 from the prior fiscal year. The reasons for this overall decrease 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 decreased $1,923,256 from the prior fiscal year for an ending balance of $76,644,281. This is caused by revenue that is expected but not yet received (deferred). While the current recession certainly had an impact on the City, management was able to take various actions that neutralized its effect on governmental activities.

CITY OF IMPERIAL BEACH; Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUE						
Program Revenue						
Charges for Services	$ 6,648,285	$ 2,838,563	$ 3,988,249	$ 3,833,190	$ 10,636,534	$ 6,671,753
Operating Grants	4,687,393	5,052,426	-	-	4,687,393	5,052,426
Capital Grants	2,548,551	1,428,762	-	-	2,548,551	1,428,762
General Revenue	-	-	-	-	-	-
Property Tax	4,050,421	7,919,069	-	-	4,050,421	7,919,069
Other tax	5,843,150	5,571,863	-	-	5,843,150	5,571,863
Other	-	19,489,395	52,761	913,213	52,761	20,402,608
Total Revenue	23,777,800	42,300,078	4,041,010	4,746,403	27,818,810	47,046,481
EXPENSE						
General Government	10,975,086	6,920,361	-	-	10,975,086	6,920,361
Public Safety	10,742,085	10,225,563	-	-	10,742,085	10,225,563
Pulic Works	2,278,148	3,106,391	-	-	2,278,148	3,106,391
Sanitation	-	-	4,149,335	4,613,291	4,149,335	4,613,291
Culture and Recreation	1,791,244	1,801,908	-	-	1,791,244	1,801,908
Interest on Debt	-	929,416	-	-	-	929,416
Total Expense	25,786,563	22,983,639	4,149,335	4,613,291	29,935,898	27,596,930
Restatement of Net Position	85,507	8,118	-	-	85,507	8,118
Increase in net position	(1,923,256)	19,324,557	(108,325)	133,112	(2,031,581)	19,457,669
Net positioni beginning	78,567,537	59,242,980	8,691,434	8,558,322	87,258,971	67,801,302
Net position ending	$ 76,644,281	$ 78,567,537	$ 8,583,109	$ 8,691,434	$ 85,227,390	$ 87,258,971

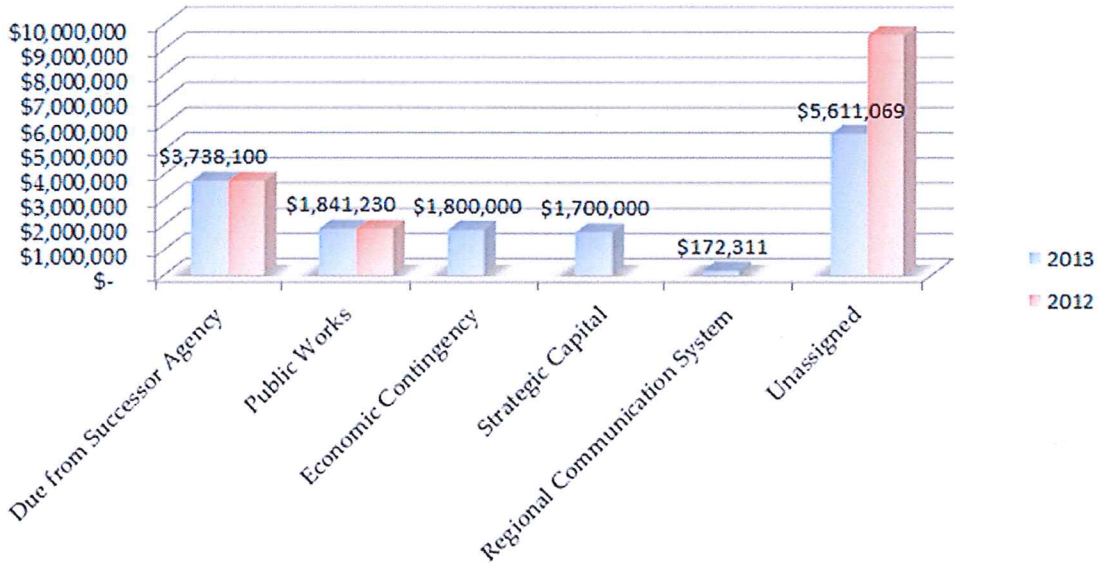
Business-type Activities. For the City's business-type activities, the results for the current fiscal year were positive even though the overall net position declined slightly reaching an ending balance of $8,583,109. The total decrease in net position for business-type activities (sewer fund) was $108,325 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, 2013, the City's governmental funds reported combined fund balances of $30,202,918, a decrease of $4,845,291 in comparison with the prior year. The reduction is primarily due to progress made during the year on capital projects related to the 2010 bond funds. Approximately 17.5% of this amount ($5,292,383) 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 ($3,741,805), 2) restricted for particular purposes ($15,655,189), 3) committed for particular purposes ($3,672,311), or 4) assigned for particular purposes ($1,841,230).



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 $5,611,069, while total fund balance decreased by $250,294 to $14,866,415. 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-eight percent (88%) 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 $8,583,109. The total decline in net position was $108,325. The decrease for the Sewer Fund resulted primarily from asset depreciation, not operational losses. The unrestricted fund balance is $2,504,951.

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	$ 7,910,500	$ 7,077,480	$ (833,020)
Licenses and Permits	524,000	501,843	(22,157)
Intergovernmental	749,047	408,750	(340,297)
Charges for Services	7,287,674	6,693,619	(594,055)
Other	772,000	1,183,022	411,022
Transfers	701,000	701,000	-
			$ (1,378,507)
Charges (Outflows)			
General Government	$ 3,456,688	$ 3,123,679	$ 333,009
Public Safety	10,792,967	10,373,688	419,279
Parks and Recreation	1,524,149	1,562,487	(38,338)
Public Works	1,875,519	1,612,891	262,628
Capital Outlay	98,520	133,263	(34,743)
Transfers Out	837,000	10,000	827,000
			$ 1,768,835

The negative variance in resources include; (Taxes) $676,000 RDA Residual budgeted but not received, (Intergovernmental) $257,711 in Recreational Trail grant budgeted in FY13 but received in FY14, and (Charges) $104,927 over budget in Port Revenue. The Other revenue experienced a positive variance. All categories will be evaluated during next budget cycle.

The favorable variance in outflows is primarily due to a conservative spending budget and strict fiscal control. The $837,000 transfer out was budgeted to fund storm-water activity. However, these costs remained in the General Fund and the transfer was not necessary.

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, 2013, amounts to $47,531,489 (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 $2,823,879 (6%).

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 1,638,532	$ 1,638,532	$ -	$ -	$ 1,638,532	$ 1,638,532
Right of Way	12,406,327	12,406,327	589,341	1,198,690	12,995,668	13,605,017
Construction in Progress	9,487,275	6,313,986	-	-	9,487,275	6,313,986
Structures	3,985,396	4,268,899	-	-	3,985,396	4,268,899
Equipment and Vehicles	694,659	913,929	-	-	694,659	913,929
Infrastrucutre	13,241,142	13,191,047	-	-	13,241,142	13,191,047
Sewer Systsem	-	-	5,488,817	4,776,200	5,488,817	4,776,200
	$ 41,453,331	$ 38,732,720	$ 6,078,158	$ 5,974,890	$ 47,531,489	$ 44,707,610

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 $38,520,435 at the end of the fiscal year. In addition, the Successor Agency has a loan due to the City in the amount of $3,738,100.

City of Imperial Beach; Long-term liabilities

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Other Post Employment Benefits	$ 111,026	$ 89,058	$ -	$ -	$ 111,026	$ 89,058
Compensated Absences	797,473	853,932	62,932	55,152	860,405	909,084
Claims & Judgments	1,618,483	1,277,785	-	-	1,618,483	1,277,785
	$ 2,526,982	$ 2,220,775	$ 62,932	$ 55,152	$ 2,589,914	$ 2,275,927

The City's total long-term liabilities increased by $313,987 (14%). The increase is to reserve for potential (unknown or future) claim loss.

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, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	$ 23,698,823	$ 3,104,956	$ 26,803,779
Receivables:			
Accounts	871,887	804	872,691
Notes and loans	7,794,224	-	7,794,224
Accrued interest	11,411	-	11,411
Internal balances	659,024	(659,024)	-
Due from other governments	2,584,182	211,023	2,795,205
Inventories	3,705	-	3,705
Land held for resale	330,691	-	330,691
Restricted assets:			
Cash and investments	872,043	-	872,043
Due from Successor Agency	3,738,100	-	3,738,100
Capital assets not being depreciated	23,532,134	589,341	24,121,475
Capital assets, net of depreciation	17,921,197	5,488,817	23,410,014
Total Assets	**82,017,421**	**8,735,917**	**90,753,338**
Liabilities:			
Accounts payable	1,635,760	66,857	1,702,617
Accrued liabilities	307,212	23,019	330,231
Unearned revenue	633,372	-	633,372
Deposits payable	269,814	-	269,814
Noncurrent liabilities:			
Due within one year	696,809	16,949	713,758
Due in more than one year	1,830,173	45,983	1,876,156
Total Liabilities	**5,373,140**	**152,808**	**5,525,948**
Net Position:			
Net investment in capital assets	41,453,331	6,078,158	47,531,489
Restricted for:			
Community development projects	13,318,937	-	13,318,937
Public safety	20,486	-	20,486
Parks and recreation	26,258	-	26,258
Public works	2,289,508	-	2,289,508
Unrestricted	19,535,761	2,504,951	22,040,712
Total Net Position	**$ 76,644,281**	**$ 8,583,109**	**$ 85,227,390**

See Notes to Financial Statements

CITY OF IMPERIAL BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

		Program Revenues		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General Government	$ 10,975,086	$ 5,611,016	$ 114,697	$ -
Public Safety	10,742,085	556,733	4,434,883	-
Parks, recreation and senior center	1,791,244	48,027	-	-
Public Works	2,278,148	432,509	137,813	2,548,551
Total Governmental Activities	**25,786,563**	**6,648,285**	**4,687,393**	**2,548,551**
Business-Type Activities:				
Sewer	4,149,335	3,988,249	-	-
Total Business-Type Activities	**4,149,335**	**3,988,249**	**-**	**-**
Total Primary Government	**$ 29,935,898**	**$ 10,636,534**	**$ 4,687,393**	**$ 2,548,551**

General Revenues:
Taxes:
Property taxes, levied for general purpose
Transient occupancy taxes
Sales taxes
Franchise taxes
Business licenses taxes
Utility users tax
Motor vehicle in lieu - unrestricted
Use of money and property
Other
Extraordinary gain/(loss)

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

See Notes to Financial Statements

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (5,249,373)	$ -	$ (5,249,373)
(5,750,469)	-	(5,750,469)
(1,743,217)	-	(1,743,217)
840,725	-	840,725
(11,902,334)	**-**	**(11,902,334)**
-	(161,086)	(161,086)
-	**(161,086)**	**(161,086)**
(11,902,334)	**(161,086)**	**(12,063,420)**
4,050,421	-	4,050,421
223,612	-	223,612
1,198,662	-	1,198,662
1,836,650	-	1,836,650
353,901	-	353,901
1,306,297	-	1,306,297
14,702	-	14,702
1,129,620	35,590	1,165,210
1,243,485	17,171	1,260,656
(1,463,779)	-	(1,463,779)
9,893,571	**52,761**	**9,946,332**
(2,008,763)	(108,325)	(2,117,088)
78,567,537	8,691,434	87,258,971
85,507	-	85,507
$ 76,644,281	**$ 8,583,109**	**$ 85,227,390**

See Notes to Financial Statements

CITY OF IMPERIAL BEACH

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Special Revenue Fund: Housing Authority	Capital Projects Fund: Capital Projects	Capital Projects Fund: C.I.P. 2010 Bond
Assets:				
Pooled cash and investments	$ 10,698,942	$ 67,681	$ -	$ 5,023,640
Receivables:				
Accounts	871,887	-	-	-
Contract and notes	-	7,794,224	-	-
Accrued interest	11,411	-	-	-
Due from other governments	1,681,931	-	739,184	-
Due from other funds	1,025,142	-	-	-
Inventories	3,705	-	-	-
Land held for resale	-	330,691	-	-
Restricted assets:				
Cash and investments	-	872,043	-	-
Due from Successor Agency	3,738,100	-	-	-
Total Assets	**$ 18,031,118**	**$ 9,064,639**	**$ 739,184**	**$ 5,023,640**
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	$ 1,294,818	$ 19,832	$ 59,109	$ 115,458
Accrued liabilities	277,367	-	1,741	890
Unearned revenues	629,040	-	-	-
Deposits payable	269,814	-	-	-
Due to other funds	-	-	970,685	-
Total Liabilities	**2,471,039**	**19,832**	**1,031,535**	**116,348**
Deferred Inflows of Resources:				
Unavailable revenues	693,664	633,162	-	-
Total Deferred Inflows of Resources	**693,664**	**633,162**	**-**	**-**
Fund Balances:				
Nonspendable:				
Inventory	3,705	-	-	-
Due from Successor Agency	3,738,100	-	-	-
Restricted for:				
Community development projects	-	8,411,645	-	4,907,292
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Committed to:				
Economic Uncertainty Reserve	1,800,000	-	-	-
Strategic Capital Reserve	1,700,000	-	-	-
Regional Communication System	172,311	-	-	-
Assigned to:				
Public works	1,841,230	-	-	-
Unassigned	5,611,069	-	(292,351)	-
Total Fund Balances	**14,866,415**	**8,411,645**	**(292,351)**	**4,907,292**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 18,031,118**	**$ 9,064,639**	**$ 739,184**	**$ 5,023,640**

See Notes to Financial Statements

CITY OF IMPERIAL BEACH

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Other Governmental Funds	Total Governmental Funds
Assets:		
Pooled cash and investments	$ 2,346,517	$ 18,136,780
Receivables:		
Accounts	-	871,887
Contract and notes	-	7,794,224
Accrued interest	-	11,411
Due from other governments	136,464	2,557,579
Due from other funds	-	1,025,142
Inventories	-	3,705
Land held for resale	-	330,691
Restricted assets:		
Cash and investments	-	872,043
Due from Successor Agency	-	3,738,100
Total Assets	**$ 2,482,981**	**$ 35,341,562**
Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable	$ 112,521	$ 1,601,738
Accrued liabilities	1,754	281,752
Unearned revenues	4,332	633,372
Deposits payable	-	269,814
Due to other funds	54,457	1,025,142
Total Liabilities	**173,064**	**3,811,818**
Deferred Inflows of Resources:		
Unavailable revenues	-	1,326,826
Total Deferred Inflows of Resources	**-**	**1,326,826**
Fund Balances:		
Nonspendable:		
Inventory	-	3,705
Due from Successor Agency	-	3,738,100
Restricted for:		
Community development projects	-	13,318,937
Public safety	20,486	20,486
Parks and recreation	26,258	26,258
Public works	2,289,508	2,289,508
Committed to:		
Economic Uncertainty Reserve	-	1,800,000
Strategic Capital Reserve	-	1,700,000
Regional Communication System	-	172,311
Assigned to:		
Public works	-	1,841,230
Unassigned	(26,335)	5,292,383
Total Fund Balances	**2,309,917**	**30,202,918**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 2,482,981**	**$ 35,341,562**

See Notes to Financial Statements

CITY OF IMPERIAL BEACH

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Fund balances of governmental funds	$	30,202,918
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.		40,901,807
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Compensated Absences		(740,883)
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.		(111,026)
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.		1,326,826
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.		5,064,639
Net Position of governmental activities	**$**	**76,644,281**

See Notes to Financial Statements

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CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

		Special Revenue Fund	Capital Projects Fund	
	General	Housing Authority	Capital Projects	C.I.P. 2010 Bond
Revenues:				
Taxes	$ 7,077,480	$ -	$ -	$ -
Assessments	-	-	-	-
Licenses and permits	501,843	-	-	-
Intergovernmental	408,750	90,000	1,073,785	-
Charges for services	6,693,619	-	-	5,200,000
Use of money and property	707,769	2,447	(483)	99,692
Fines and forfeitures	138,874	-	-	-
Miscellaneous	336,379	907,106	-	-
Total Revenues	**15,864,714**	**999,553**	**1,073,302**	**5,299,692**
Expenditures:				
Current:				
General government	3,123,679	76,622	-	7,395,417
Public safety	10,373,688	-	-	-
Parks and recreation	1,562,487	-	-	-
Public works	1,612,891	-	-	-
Capital outlay	133,263	-	1,517,586	1,412,384
Total Expenditures	**16,806,008**	**76,622**	**1,517,586**	**8,807,801**
Excess (Deficiency) of Revenues Over (Under) Expenditures	(941,294)	922,931	(444,284)	(3,508,109)
Other Financing Sources (Uses):				
Transfers in	701,000	-	151,933	310,000
Transfers out	(10,000)	-	-	-
Total Other Financing Sources (Uses)	**691,000**	**-**	**151,933**	**310,000**
Extraordinary gain/(loss)	-	(1,463,779)	-	-
Net Change in Fund Balances	(250,294)	(540,848)	(292,351)	(3,198,109)
Fund Balances, Beginning of Year, as previously reported	15,116,709	8,952,493	-	8,105,401
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as restated	15,116,709	8,952,493	-	8,105,401
Fund Balances, End of Year	**$ 14,866,415**	**$ 8,411,645**	**$ (292,351)**	**$ 4,907,292**

See Notes to Financial Statements

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Other Governmental Funds	Total Governmental Funds
Revenues:		
Taxes	$ -	$ 7,077,480
Assessments	10,310	10,310
Licenses and permits	-	501,843
Intergovernmental	1,470,228	3,042,763
Charges for services	16,895	11,910,514
Use of money and property	31,991	841,416
Fines and forfeitures	-	138,874
Miscellaneous	-	1,243,485
Total Revenues	**1,529,424**	**24,766,685**
Expenditures:		
Current:		
General government	83,725	10,679,443
Public safety	135,227	10,508,915
Parks and recreation	24,138	1,586,625
Public works	15,219	1,628,110
Capital outlay	671,871	3,735,104
Total Expenditures	**930,180**	**28,138,197**
Excess (Deficiency) of Revenues Over (Under) Expenditures	599,244	(3,371,512)
Other Financing Sources (Uses):		
Transfers in	-	1,162,933
Transfers out	(1,162,933)	(1,172,933)
Total Other Financing Sources (Uses)	**(1,162,933)**	**(10,000)**
Extraordinary gain/(loss)	-	(1,463,779)
Net Change in Fund Balances	(563,689)	(4,845,291)
Fund Balances, Beginning of Year, as previously reported	2,788,099	34,962,702
Restatements	85,507	85,507
Fund Balances, Beginning of Year, as restated	2,873,606	35,048,209
Fund Balances, End of Year	**$ 2,309,917**	**$ 30,202,918**

See Notes to Financial Statements

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, 2013

Net change in fund balances - total governmental funds		$ (4,845,291)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	$ 3,802,452	
Depreciation	(972,276)	2,830,176
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		52,030
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.		(21,968)
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.		401,522
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.		(425,232)
Change in net position of governmental activities		**$ (2,008,763)**

See Notes to Financial Statements

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 15,116,709	$ 15,116,709	$ 15,116,709	$ -
Resources (Inflows):				
Taxes	6,956,000	7,910,500	7,077,480	(833,020)
Licenses and permits	526,000	524,000	501,843	(22,157)
Intergovernmental	173,000	749,047	408,750	(340,297)
Charges for services	7,220,379	7,287,674	6,693,619	(594,055)
Use of money and property	915,000	430,000	707,769	277,769
Fines and forfeitures	196,500	158,500	138,874	(19,626)
Miscellaneous	183,000	183,500	336,379	152,879
Transfers in	927,115	701,000	701,000	-
Amounts Available for Appropriation	**32,213,703**	**33,060,930**	**31,682,423**	**(1,378,507)**
Charges to Appropriation (Outflow):				
General government				
Mayor/City Council	96,566	112,979	114,238	(1,259)
City Clerk's Office	253,118	310,940	297,965	12,975
City Manager	272,039	395,622	379,702	15,920
Economic Development	-	-	454	(454)
Personnel	218,206	251,878	256,889	(5,011)
Administrative Services	608,464	497,177	244,977	252,200
City Attorney	205,000	205,000	273,260	(68,260)
Community Development	316,001	590,336	608,748	(18,412)
Facilities Maintenance	276,023	277,284	208,594	68,690
Non-Departmental	139,591	815,472	738,852	76,620
Public safety				
Law Enforcement Contract	6,310,139	6,247,194	6,010,059	237,135
Fire Protection Rescue	2,206,088	2,383,835	2,391,928	(8,093)
Ocean Beach Safety	1,370,477	1,380,445	1,276,568	103,877
Building Inspection	337,458	313,844	293,323	20,521
Animal Control	282,356	260,356	252,229	8,127
Disaster Preparedness	51,706	60,881	44,578	16,303
Code Enforcement	96,692	112,663	84,676	27,987
AVA Program	35,152	33,749	20,327	13,422
Parks and recreation				
Recreation Srvcs. & Skatepark	267,258	177,994	202,742	(24,748)
Park Maintenance	411,440	394,729	402,856	(8,127)
Senior Services	27,988	28,982	28,705	277
Tideland Maintenance	888,723	922,444	928,184	(5,740)
Public works				
Street Maintenance	927,115	983,291	840,480	142,811
Public Works Admin.	541,683	641,825	578,888	62,937
Graffiti Removal	-	-	31	(31)
Solid Waste Management	97,050	250,403	191,786	58,617
Treasury	-	-	550	(550)
Facilities - Sewer/Stormwater	-	-	1,156	(1,156)
Capital outlay	27,695	98,520	133,263	(34,743)
Transfers out	860,000	837,000	10,000	827,000
Total Charges to Appropriations	**17,124,028**	**18,584,843**	**16,816,008**	**1,768,835**
Budgetary Fund Balance, June 30	**$ 15,089,675**	**$ 14,476,087**	**$ 14,866,415**	**$ 390,328**

See Notes to Financial Statements

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON STATEMENT
HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 8,952,493	$ 8,952,493	$ 8,952,493	$ -
Resources (Inflows):				
Intergovernmental	-	90,000	90,000	-
Use of money and property	-	-	2,447	2,447
Miscellaneous	-	907,106	907,106	-
Amounts Available for Appropriation	**8,952,493**	**9,949,599**	**9,952,046**	**2,447**
Charges to Appropriation (Outflow):				
General government	-	1,003,000	76,622	926,378
Extraordinary gain/(loss)	-	-	1,463,779	(1,463,779)
Total Charges to Appropriations	**-**	**1,003,000**	**1,540,401**	**(537,401)**
Budgetary Fund Balance, June 30	**$ 8,952,493**	**$ 8,946,599**	**$ 8,411,645**	**$ (534,954)**

See Notes to Financial Statements

CITY OF IMPERIAL BEACH

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Enterprise Fund	Governmental Activities- Internal
	Sewer	Service Funds
Assets:		
Current:		
Cash and investments	$ 3,104,956	$ 5,562,043
Receivables:		
Accounts	804	-
Due from other governments	211,023	26,603
Total Current Assets	**3,316,783**	**5,588,646**
Noncurrent:		
Capital assets - net of accumulated depreciation	6,078,158	551,524
Total Noncurrent Assets	**6,078,158**	**551,524**
Total Assets	**9,394,941**	**6,140,170**
Liabilities and Net Position:		
Liabilities:		
Current:		
Accounts payable	66,857	34,022
Accrued liabilities	23,019	25,460
Accrued compensated absences	16,949	2,068
Accrued claims and judgments	-	477,483
Total Current Liabilities	**106,825**	**539,033**
Noncurrent:		
Accrued compensated absences	45,983	54,522
Accrued claims and judgments	-	1,141,000
Total Noncurrent Liabilities	**45,983**	**1,195,522**
Total Liabilities	**152,808**	**1,734,555**
Net Position:		
Net investment in capital assets	6,078,158	551,524
Unrestricted	3,163,975	3,854,091
Total Net Position	**$ 9,242,133**	**$ 4,405,615**

Reconciliation of Net Position to the Statement of Net Position

Net Position per Statement of Net Position - Proprietary Funds	$ 9,242,133
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(614,596)
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds	(44,428)
Net Position per Statement of Net Position	$ 8,583,109

See Notes to Financial Statements

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Enterprise Fund	Governmental Activities- Internal
	Sewer	Service Funds
Operating Revenues:		
Sales and service charges	$ 3,988,249	$ 1,079,740
Miscellaneous	17,171	240,541
Total Operating Revenues	**4,005,420**	**1,320,281**
Operating Expenses:		
Source of supply	3,159,166	579,441
Claims expense	-	535,032
Depreciation expense	193,959	122,884
Personnel and Administrative	751,782	635,956
Total Operating Expenses	**4,104,907**	**1,873,313**
Operating Loss	(99,487)	(553,032)
Nonoperating Revenues:		
Interest revenue	35,590	73,372
Total Nonoperating Revenues (Expenses)	**35,590**	**73,372**
Loss Before Transfers	(63,897)	(479,660)
Transfers in	-	10,000
Changes in Net Position	(63,897)	(469,660)
Net Position:		
Beginning of Year	9,306,030	4,875,275
End of Fiscal Year	**$ 9,242,133**	**$ 4,405,615**

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	$ (63,897)
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	(44,428)
Changes in Net Position of Business-Type Activities per Statement of Activities	$ (108,325)

See Notes to Financial Statements

CITY OF IMPERIAL BEACH

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Enterprise Fund	Governmental Activities- Internal
	Sewer	Service Funds
Cash Flows from Operating Activities:		
Cash received from customers and users	$ 4,168,132	$ -
Cash received from/(paid to) interfund service provided	-	1,415,691
Cash paid to suppliers for goods and services	(3,206,850)	(1,000,829)
Cash paid to employees for services	(758,573)	(388,262)
Net Cash Provided (Used) by Operating Activities	**202,709**	**26,600**
Cash Flows from Non-Capital Financing Activities:		
Cash transfers in	-	10,000
Net Cash Provided by Non-Capital Financing Activities	**-**	**10,000**
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(297,227)	(13,319)
Net Cash Used in Capital and Related Financing Activities	**(297,227)**	**(13,319)**
Cash Flows from Investing Activities:		
Interest received	35,590	73,372
Net Cash Provided by Investing Activities	**35,590**	**73,372**
Net Increase (Decrease) in Cash and Cash Equivalents	**(58,928)**	**96,653**
Cash and Cash Equivalents at Beginning of Year	3,163,884	5,465,390
Cash and Cash Equivalents at End of Year	**$ 3,104,956**	**$ 5,562,043**
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating loss	$ (99,487)	$ (553,032)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	193,959	122,884
(Increase) decrease in accounts receivable	59,402	-
(Increase) decrease in due from other governments	103,310	95,410
Increase (decrease) in accounts payable	(47,684)	16,324
Increase (decrease) in accrued liabilities	(14,571)	-
Increase (decrease) in deposits payable	-	13,080
Increase (decrease) in claims and judgments	-	340,698
Increase (decrease) in compensated absences	7,780	(8,764)
Total Adjustments	**302,196**	**579,632**
Net Cash Provided (Used) by Operating Activities	**$ 202,709**	**$ 26,600**

See Notes to Financial Statements

CITY OF IMPERIAL BEACH

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Agency Funds	Private-Purpose Trust Fund Successor Agency of the Former RDA
Assets:		
Pooled cash and investments	$ 383,374	$ 3,082,576
Receivables:		
Deferred loans	-	2,500
Land held for resale	-	17,048,281
Restricted assets:		
Cash and investments with fiscal agents	-	4,747,998
Total Assets	**$ 383,374**	**24,881,355**
Liabilities:		
Accounts payable	$ -	29,346
Due to bondholders	383,374	-
Due to City	-	3,738,100
Long-term liabilities:		
Due in one year	-	740,000
Due in more than one year	-	37,780,435
Total Liabilities	**$ 383,374**	**42,287,881**
Net Position:		
Held in trust for other purposes		(17,406,526)
Total Net Position		**$ (17,406,526)**

See Notes to Financial Statements

CITY OF IMPERIAL BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	Private-Purpose Trust Fund Successor Agency of the Former RDA
Additions:	
Taxes	$ 5,842,890
Interest and change in fair value of investments	14,578
Total Additions	**5,857,468**
Deductions:	
Housing projects	907,106
Administrative expenses	247,302
Contractual services	1,033,060
Interest expense	2,366,962
Total Deductions	**4,554,430**
Extraordinary gain/(loss)	1,463,779
Changes in Net Position	**2,766,817**
Net Position - Beginning of the Year	(19,510,903)
Restatements	(662,440)
Net Position - Beginning of Year, as Restated	(20,173,343)
Net Position - End of the Year	**$ (17,406,526)**

See Notes to Financial Statements

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

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.
- Capital Projects Funds account for the financial resources to be used for the capital improvement projects of the City.

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.
- Debt Service includes those activities that account for the payment of long-term debt principal, interest and fiscal charges.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. The General Fund inventory is accounted for on the consumption method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of

Note 1: Summary of Significant Accounting Policies (Continued)

business-type activities is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Buildings & Improvements	25 - 50
Improvements Other than Buildings	10 - 50
Sewer lines and Pump Stations	35 - 50
Equipment	3 - 20
Vehicles	5 - 10

Infrastructure	Years
Pavement	33
Curb and Gutter	50
Sidewalk	50

Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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 financial 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 two sources: property taxes 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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.

New 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. The accounting changes of this statement should be applied retroactive and therefore the City has reported a restatement of beginning net position for any unamortized debt issuance costs (deferred charges) previously reported on the statement of net position to conform.

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.

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. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

General Budget Policies

The two-year operating budget adopted by the City Council provides for the general operations of the City. It includes proposed expenditures and the means of financing them on a departmental basis. Budgets are legally adopted for the General Fund and the Special Revenue Funds, except for the Traffic Safety Fund, the Parks Grant Fund, Residential Construction Fund, CDBG Grant Fund, Supplemental Law Enforcement Fund, and Local Law Enforcement Block Grant 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.

Note 2: Stewardship, Compliance and Accountability (Continued)

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, 2013, 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, Residential Construction Fund, CDBG Grant Fund, Supplemental Law Enforcement Fund, and Local Law Enforcement Block Grant Fund did not adopt a budget; therefore, a budget comparison is not shown.

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2013, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	$ 24,570,866
Business-Type activities	3,104,956
Fiduciary funds	8,213,948
Total Cash and Investments	$ 35,889,770

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, 2013, the carrying amount of the City's deposits was $349,071 and the bank balance was $1,445,789. The $1,096,718 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities with a value of 110% of a city's deposits. California law also allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits. The City Treasurer may waive the collateral requirement for deposits that

Note 3: Cash and Investments (Continued)

are fully insured up to $250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Investments

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

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

Note 3: Cash and Investments (Continued)

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, 2013, 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 trade and were legal under State law. Investments in U.S. Treasuries are not considered to have credit risk; therefore, their credit quality is not disclosed.

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

Note 3: Cash and Investments (Continued)

As of June 30, 2013, 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, 2013, 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, 2013, 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, 2013, the City has investments with the following issuers, which exceed 5% of the total investment value:

Federal Home Loan Bank	$ 2,007,640	6%
Corporate Bonds	5,023,460	14%

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

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that the City's investment portfolio will not directly invest in securities maturing in more than five years. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2013, the City had the following investments and original maturities:

	Investment Maturities (in Years)			
Investments	1 year or less	1 to 3 years	5 and more years	Fair Value
California Local Agency Investment Fund	$ 23,761,601	$ -	$ -	$ 23,761,601
Federal Home Loan Bank	2,007,640	-	-	2,007,640
Corporate Bonds	-	1,004,410	4,019,050	5,023,460
Money Market Mutual Funds - held by fiscal agent	4,747,998	-	-	4,747,998
	$ 30,517,239	$ 1,004,410	$ 4,019,050	$ 35,540,699

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2013, 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	6,313,986	(629,163)	3,802,452	-	9,487,275
Total Capital Assets, Not Being Depreciated	20,358,845	(629,163)	3,802,452	-	23,532,134
Capital assets, being depreciated:					
Structures and improvements	7,710,709	-	-	-	7,710,709
Equipment and vehicles	4,190,378	-	13,319	98,234	4,105,463
Infrastructure	17,824,232	629,163	-	-	18,453,395
Total Capital Assets, Being Depreciated	29,725,319	629,163	13,319	98,234	30,269,567
Less accumulated depreciation:					
Structures and improvements	3,441,810	-	283,503	-	3,725,313
Equipment and vehicles	3,276,449	-	232,589	98,234	3,410,804
Infrastructure	4,633,185	-	579,068	-	5,212,253
Total Accumulated Depreciation	11,351,444	-	1,095,160	98,234	12,348,370
Total Capital Assets, Being Depreciated, Net	18,373,875	629,163	(1,081,841)	-	17,921,197
Governmental Activities Capital Assets, Net	$ 38,732,720	$ -	$ 2,720,611	$ -	$ 41,453,331

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

Governmental Activities:	
General Government	$ 145,350
Public Safety	47,896
Public Works	586,836
Parks, Recreation and Senior Center	192,194
Internal Service Funds	122,884
Total Governmental Activities	$ 1,095,160

Note 4: Capital Assets (Continued)

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Business-Type Activities:					
Capital assets, not being depreciated:					
Construction-in-progress	$ 1,198,690	$ (906,576)	$ 297,227	$ -	$ 589,341
Total Capital Assets, Not Being Depreciated	1,198,690	(906,576)	297,227	-	589,341
Capital assets, being depreciated:					
Sewer Lines and Pump Stations	8,286,289	906,576	-	-	9,192,865
Total Capital Assets, Being Depreciated	8,286,289	906,576	-	-	9,192,865
Less accumulated depreciation:					
Sewer Lines and Pump Stations	3,510,089	-	193,959	-	3,704,048
Total Accumulated Depreciation	3,510,089	-	193,959	-	3,704,048
Total Capital Assets, Being Depreciated, Net	4,776,200	906,576	(193,959)	-	5,488,817
Business-Type Activities Capital Assets, Net	$ 5,974,890	$ -	$ 103,268	$ -	$ 6,078,158

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

Business-Type Activities:	
Sewer	$ 193,959

Note 5: Loans Receivable

Loans receivable consist of the following:

South Bay Community Services Loan – Hemlock Ave.

In April 2006, the Agency entered into a loan agreement for an amount not-to-exceed $540,425 with South Bay Community Services (SBCS) to loan low and moderate income housing set-aside funds to rehabilitate a seven-unit apartment complex located at 1360 Hemlock Avenue. This loan agreement was amended in October 2007 and increased the loan agreement by $89,183, creating a total not-to-exceed amount of $629,608. SBCC intends to rent all seven units to families earning 50% or below of the area median income, for a term of fifty-five years. Beginning May 31, 2006, and continuing through 2061, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are not required to be paid if the rental and occupancy conditions are met for the property. All principal and accrued interest on the Loan shall be due in full on (i) the date of any transfer not authorized by the Agency; (ii) the date of any Default; or (iii) the expiration of the Loan Term, whichever occurs first. However, upon expiration of the Loan Term, the Loan amount pursuant to the Note and accrued interest shall be forgiven provided all covenants and conditions were met over the Loan Term. Accrued interest at June 30, 2013, amounts to $121,359 and is offset by

Note 5: Loans Receivable (Continued)

unavailable revenue. The loan has not been fully disbursed at June 30, 2013. The outstanding balance at June 30, 2013, is $750,967, 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, 2013, amounts to $100,682 and is offset by deferred revenue. The loan has not been fully disbursed at June 30, 2013. The outstanding balance at June 30, 2013, is $587,137, 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, 2013, amounts to $267,621 and is offset by deferred revenue. The outstanding balance at June 30, 2013, is $2,212,621, including accrued interest.

American Legion Loan

The Imperial Beach Housing Authority and Hitzke Development Corporation entered into an Affordable Housing Agreement for the development of a mixed-use affordable housing development project and new American Legion Post. The Authority authorized financing for the Project for an amount not to exceed $4,100,000 to construct thirty (30) units of affordable housing consisting of twenty-nine (29) affordable residential rental units and one manager's unit. Monthly principal and interest payments are required to be paid within 30 days of completion of the annual audit equivalent to 50% of the residual receipts generated by the projects audited records. Accrued interest at June 30, 2013, amounts to $143,500 and is offset by deferred revenue. The outstanding balance at June 30, 2013, is $4,243,500, including accrued interest.

Total loans receivable at June 30, 2013, amounts to $7,794,224.

Note 6: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2013, is as follows:

Due To/Due From Other Funds

	Due to Other Funds		
Funds	Capital Projects	Non-major Governmental Funds	Total
Due From Other Funds:			
General Fund	$ 970,685	$ 54,457	$ 1,025,142
Total	$ 970,685	$ 54,457	$ 1,025,142

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 13 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, 2013, loans made from the General Fund to the former Redevelopment Agency Capital Projects Fund, including accrued unpaid interest owed on those loans, were $3,738,100.

Interfund Transfers

	Transfers In				
	General Fund	Capital Projects Fund	C.I.P. 2010 Bond	Internal Service Funds	Total
Transfers Out:					
General Fund	$ -	$ -	$ -	$ 10,000	$ 10,000
Nonmajor Govt Funds	701,000	151,933	310,000	-	1,162,933
Total	$ 701,000	$ 151,933	$ 310,000	$ 10,000	$ 1,172,933

Transfers were made from the General Fund to reimburse the Facility Maintenance/Replacement Fund for the General Fund portion of Internal Service Fund costs. 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 7: Unavailable Revenue and Unearned Revenue

The General Fund recorded unavailable revenue of $361,392 related to sales tax revenue and DUI revenue. Additionally, the General Fund recorded unavailable revenue of $332,272 related to parking ticket revenue. The total, $693,644, represent revenue that has been accrued but not yet received within the recognition periods.

General Fund unearned revenue consists of $580,000 relating to a lease with the Unified Port District of San Diego and $49,040 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, 2013, $580,000 remains of this unearned lease revenue.

Note 8: Long-Term Debt

a. Long-Term Debt – Governmental Activities

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2013:

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013	Due Within One Year
Other Post-Employment Benefits Obligation	$ 89,058	$ 32,000	$ 10,032	$ 111,026	$ -
Compensated Absences	853,932	487,620	544,079	797,473	219,326
Claims & Judgments	1,277,785	567,274	226,576	1,618,483	477,483
	$ 1,725,790	$ 1,086,894	$ 780,687	2,526,982	$ 696,809

Other Post-Employment Benefits Obligation

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

Compensated Absences

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

Claims and Judgments

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

Note 8: Long-Term Debt (Continued)

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, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Enterprise Fund:					
Compensated absences	$ 55,152	$ 34,055	$ 26,275	$ 62,932	$ 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, 2013, 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.

IV. OTHER INFORMATION

Note 9: City Employees Retirement Plan

Plan Description

The City of Imperial Beach contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS 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 15.178% for miscellaneous employees, 24.706% for fire employees and 20.084% 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 2013, the City's required contribution of $843,952 for CalPERS was equal to the City's actuarial required contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial costs method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.55% to 14.45% depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of 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
	Miscellaneous Members	
6/30/2011	$ 1,795,553	100%
6/30/2012	497,428	100%
6/30/2013	557,282	100%
	Safety Members	
6/30/2011	$ 388,266	100%
6/30/2012	267,811	100%
6/30/2013	286,670	100%

Note 9: City Employees Retirement Plan (Continued)

For fiscal year 2012-2013, the City participated in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date, starting with the June 30, 2003 valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

Note 10: Other Post-Employment Benefits

Plan Description

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

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or employee associations. Currently, contributions are not required from plan members. A contribution of $10,032 was made during the 2012-2013 fiscal year and was not included in the October 1, 2012 actuarial study. The purpose of the contribution was to pay current year premiums for retirees.

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

Annual required contribution (ARC)	$	34,496
Interest on net OPEB obligation		1,764
Adjustments to ARC		(4,260)
Annual OPEB cost		32,000
Contributions made		10,032
(Decrease) increase in Net OPEB obligation		21,968
Net OPEB obligation (asset) - beginning of year		89,058
Net OPEB obligation (asset) - end of year	$	111,026

Note 10: Other Post-Employment Benefits (Continued)

The City contributed 31.35% or $10,032 of the ARC of $34,496; an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the annual normal cost and the amortization of unfunded actuarial liabilities (or funding excess) over a thirty year period.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012-2013, and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Contribution (Net of Adjustments)	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

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 10: Other Post-Employment Benefits (Continued)

In the October 1, 2012, actuarial valuation, the level percentage of payroll actuarial cost method was used. The actuarial assumptions include a 5% investment rate of return, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and annual healthcare cost trend rate of 4%. The actuarial value of assets is set equal to the reported market value of assets. The UAAL is being amortized as a level dollar on an open basis. The remaining amortization period at June 30, 2013, was twenty-six 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 11: Self-Insurance Program

General Liability

On August 8, 1990, the City became one of twelve members of the San Diego Pooled Insurance Program Authority (SANDPIPA) and San Diego County Cities Risk Management Authority (SDCCRMA). These organizations were created by a joint powers authority (JPA) to provide liability, property and casualty coverage to its members. Under the joint powers agreement SANDPIPA provides liability insurance coverage for the City for the difference between $2,500,000 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, PEPIP 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 $1,618,483 reported at June 30, 2013, 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.

Note 11: Self-Insurance Program (Continued)

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

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

	2011-2012	2012-2013
Claims outstanding at beginning of year	$ 682,845	$ 1,277,785
Claims and changes in estimates	783,495	567,274
Claim payments	(188,555)	(226,576)
Claims outstanding at end of year	$ 1,277,785	$ 1,618,483

Note 12: Contingencies

Litigation

The City is involved in various lawsuits of which the outcome was undetermined as of June 30, 2013. No amount has been accrued for these contingent amounts.

The following material construction commitments existed at June 30, 2013:

Project Name	Contract Amount	Expenditures to date as of June 30, 2013	Remaining Commitments
Annual Sewer Main Line Repairs	$ 328,500	$ 304,213	$ 24,287
RTIP FY 2010-11	602,000	601,807	193
Street Improvements Phase 3B	2,040,000	1,862,078	177,922

Note 13: 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.

Note 13: 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	$ 3,082,576
Cash and investments with fiscal agent	4,747,998
	$ 7,830,574

b. Loans Receivable

Loans receivable consist of the following:

Capital Project Funds

In November 2002, the Agency loaned $25,000 to the Imperial Beach Community Clinic (IBCC) to be repaid on or before January 1, 2013. IBCC may receive credit toward the repayment of the Note in accordance with an Owner Participation Agreement (OPA) by and between the Agency and IBCC. The Agency will forgive $2,500 of the loan for each year that IBCC complies with the OPA and operates the facility as a health clinic in substantially the same manner as on the date the OPA was executed (November 13, 2002). During fiscal year 2012-2013, $1,250 of the debt was forgiven and $0 was added, leaving a balance of $2,500.

c. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2013, follows:

	Balance July 1, 2011	Additions	Repayments	Balance June 30, 2013	Due Within One Year
Fiduciary Funds:					
2003 Tax Allocation, Series A	$ 18,455,000	$ -	$ 490,000	$ 17,965,000	$ 510,000
2010 Tax Allocation Bonds	21,595,000	-	130,000	21,465,000	230,000
Total Fiduciary Funds	$ 40,050,000	$ -	$ 620,000	39,430,000	$ 740,000
			Unamortized Premiums/Discounts	(909,565)	
			Total Long-term Debt	$ 38,520,435	

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

Note 13: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

financial statements, as the Public Financing Authority does not have its own financial statements or fund, and certain revenues of the Redevelopment Agency are pledged for repayment of the debt. Interest on the bonds is payable semiannually and principal payments are due annually. Debt service payments occur from June 1, 2004 through June 1, 2033. Interest rates on the bonds range from 1.75% to 6.10% per annum. The balance at June 30, 2013, excluding unamortized original issue discount of $221,300, is $17,965,000.

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

	2003 Tax Allocation Bonds, Series A	
	Principal	Interest
2013 - 2014	$ 510,000	$ 1,037,574
2014 - 2015	540,000	1,012,074
2015 - 2016	570,000	985,074
2016 - 2017	595,000	955,719
2017 - 2018	625,000	924,481
2018 - 2023	3,705,000	4,052,513
2023 - 2028	4,900,000	2,848,418
2028 - 2033	6,520,000	1,219,200
Totals	$ 17,965,000	$ 13,035,053

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. 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, 2013, excluding unamortized original issue discount of $688,265, is $21,465,000.

Note 13: 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:

	2010 Tax Allocation Bonds	
	Principal	Interest
2013 - 2014	$ 230,000	$ 1,048,006
2014 - 2015	235,000	1,041,106
2015 - 2016	245,000	1,034,056
2016 - 2017	255,000	1,026,706
2017 - 2018	265,000	1,018,419
2018 - 2023	1,505,000	4,931,719
2023 - 2028	1,920,000	4,563,669
2028 - 2033	2,515,000	4,031,719
2033 - 2038	9,675,000	2,714,606
2038 - 2043	4,620,000	358,238
Totals	$ 21,465,000	$ 21,768,244

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

Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed 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 $74,233,297 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 $5,842,890 and the debt service obligation on the bonds was $2,733,490.

d. Insurance

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

Note 13: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

e. Commitments and Contingencies

At June 30, 2013, the Successor Agency was involved as a defendant in several lawsuits arising out of the ordinary conduct of its affairs. It is the opinion of management that settlements of these lawsuits, including losses for claims that are incurred but not reported, if any, will not have a material effect on the financial position of the Successor Agency.

f. Subsequent Events

Issuance of Successor Agency Tax Allocation Refunding Bonds

On December 4, 2013, the Successor Agency issued $17,260,000 in Tax Allocation Refunding Bonds. The bonds were issued to advance refund the former Redevelopment Agency's 2003 Tax Allocation Bonds.

g. Extraordinary Gain/Loss

The City recognized an extraordinary loss in the amount of $1,463,779 and the Successor Agency recognized an extraordinary gain for $1,463,779 for items disallowed on the Successor Agency's Redevelopment Obligation Payment Schedule, as determined by the California Department of Finance.

Note 14: Fund Balance and Net Position Restatements

Governmental Funds:	
CDBG Grant Fund	
To properly account for prior year revenue	$ 85,507
Total governmental fund balance restatements	$ 85,507
Fiduciary Funds	
Successor Agency	
Write-off of unamortized cost of issuance pursuant to GASB 65.	$ (662,440)
Total fiduciary net position restatements	$ (662,440)

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CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds			
	Gas Tax	Prop A Tax	Residential Construction	CDBG Grant
Assets:				
Pooled cash and investments	$ 1,609,180	$ 470,798	$ 215,856	$ -
Due from other governments	59,782	-	-	51,682
Total Assets	**$ 1,668,962**	**$ 470,798**	**$ 215,856**	**$ 51,682**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ 2,075	$ 59,327	$ -	$ 46,271
Accrued liabilities	-	465	-	1,289
Unearned revenues	-	4,332	-	-
Due to other funds	-	-	-	29,755
Total Liabilities	**2,075**	**64,124**	**-**	**77,315**
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	1,666,887	406,674	215,856	-
Unassigned	-	-	-	(25,633)
Total Fund Balances	**1,666,887**	**406,674**	**215,856**	**(25,633)**
Total Liabilities and Fund Balances	**$ 1,668,962**	**$ 470,798**	**$ 215,856**	**$ 51,682**

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
JUNE 30, 2013

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Assets:				
Pooled cash and investments	$ -	$ 20,376	$ 30,106	$ 110
Due from other governments	25,000	-	-	-
Total Assets	**$ 25,000**	**$ 20,376**	**$ 30,106**	**$ 110**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ 1,000	$ -	$ 3,848	$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	24,702	-	-	-
Total Liabilities	**25,702**	**-**	**3,848**	**-**
Fund Balances:				
Restricted for:				
Public safety	-	20,376	-	110
Parks and recreation	-	-	26,258	-
Public works	-	-	-	-
Unassigned	(702)	-	-	-
Total Fund Balances	**(702)**	**20,376**	**26,258**	**110**
Total Liabilities and Fund Bala	**$ 25,000**	**$ 20,376**	**$ 30,106**	**$ 110**

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
JUNE 30, 2013

	Special Revenue Funds	
	Parks Grant Fund	Total Governmental Funds
Assets:		
Pooled cash and investments	$ 91	$ 2,346,517
Due from other governments	-	136,464
Total Assets	**$ 91**	**$ 2,482,981**
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	$ -	$ 112,521
Accrued liabilities	-	1,754
Unearned revenues	-	4,332
Due to other funds	-	54,457
Total Liabilities	**-**	**173,064**
Fund Balances:		
Restricted for:		
Public safety	-	20,486
Parks and recreation	-	26,258
Public works	91	2,289,508
Unassigned	-	(26,335)
Total Fund Balances	**91**	**2,309,917**
Total Liabilities and Fund Bala	**$ 91**	**$ 2,482,981**

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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, 2013

	Special Revenue Funds			
	Gas Tax	Prop A Tax	Residential Construction	CDBG Grant
Revenues:				
Assessments	$ -	$ -	$ -	$ -
Intergovernmental	660,781	549,000	-	118,954
Charges for services	-	6,495	10,400	-
Use of money and property	24,210	6,434	2,810	-
Total Revenues	**684,991**	**561,929**	**13,210**	**118,954**
Expenditures:				
Current:				
General government	5,026	-	-	78,699
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	15,219	-	-
Capital outlay	-	624,640	-	47,231
Total Expenditures	**5,026**	**639,859**	**-**	**125,930**
Excess (Deficiency) of Revenues Over (Under) Expenditures	679,965	(77,930)	13,210	(6,976)
Other Financing Sources (Uses):				
Transfers out	(838,000)	(324,933)	-	-
Total Other Financing Sources (Uses)	**(838,000)**	**(324,933)**	**-**	**-**
Net Change in Fund Balances	(158,035)	(402,863)	13,210	(6,976)
Fund Balances, Beginning of Year	1,824,922	809,537	202,646	(104,164)
Restatements	-	-	-	85,507
Fund Balances, Beginning of Year, as Restated	1,824,922	809,537	202,646	(18,657)
Fund Balances, End of Year	**$ 1,666,887**	**$ 406,674**	**$ 215,856**	**$ (25,633)**

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Revenues:				
Assessments	$ -	$ -	$ 10,310	$ -
Intergovernmental	100,000	41,493	-	-
Charges for services	-	-	-	-
Use of money and property	-	(2,003)	540	-
Total Revenues	**100,000**	**39,490**	**10,850**	**-**
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	100,000	35,227	-	-
Parks and recreation	-	-	24,138	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	**100,000**	**35,227**	**24,138**	**-**
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	4,263	(13,288)	-
Other Financing Sources (Uses):				
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	**-**	**-**	**-**	**-**
Net Change in Fund Balances	-	4,263	(13,288)	-
Fund Balances, Beginning of Year	(702)	16,113	39,546	110
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	(702)	16,113	39,546	110
Fund Balances, End of Year	**$ (702)**	**$ 20,376**	**$ 26,258**	**$ 110**

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue Funds	
	Parks Grant Fund	Total Governmental Funds
Revenues:		
Assessments	$ -	$ 10,310
Intergovernmental	-	1,470,228
Charges for services	-	16,895
Use of money and property	-	31,991
Total Revenues	**-**	**1,529,424**
Expenditures:		
Current:		
General government	-	83,725
Public safety	-	135,227
Parks and recreation	-	24,138
Public works	-	15,219
Capital outlay	-	671,871
Total Expenditures	**-**	**930,180**
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	599,244
Other Financing Sources (Uses):		
Transfers out	-	(1,162,933)
Total Other Financing Sources (Uses)	**-**	**(1,162,933)**
Net Change in Fund Balances	-	(563,689)
Fund Balances, Beginning of Year	91	2,788,099
Restatements	-	85,507
Fund Balances, Beginning of Year, as Restated	91	2,873,606
Fund Balances, End of Year	**$ 91**	**$ 2,309,917**

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 1,824,922	$ 1,824,922	$ 1,824,922	$ -
Resources (Inflows):				
Intergovernmental	521,000	675,054	660,781	(14,273)
Use of money and property	7,000	7,000	24,210	17,210
Amounts Available for Appropriation	**2,352,922**	**2,506,976**	**2,509,913**	**2,937**
Charges to Appropriation (Outflow):				
General government	-	-	5,026	(5,026)
Transfers out	729,115	838,000	838,000	-
Total Charges to Appropriations	**729,115**	**838,000**	**843,026**	**(5,026)**
Budgetary Fund Balance, June 30	**$ 1,623,807**	**$ 1,668,976**	**$ 1,666,887**	**$ (2,089)**

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
PROP A TAX
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 809,537	$ 809,537	$ 809,537	$ -
Resources (Inflows):				
Intergovernmental	690,000	550,000	549,000	(1,000)
Charges for services	-	7,000	6,495	(505)
Use of money and property	10,000	10,000	6,434	(3,566)
Amounts Available for Appropriation	**1,509,537**	**1,376,537**	**1,371,466**	**(5,071)**
Charges to Appropriation (Outflow):				
Public works	-	-	15,219	(15,219)
Capital outlay	-	-	624,640	(624,640)
Transfers out	173,000	773,000	324,933	448,067
Total Charges to Appropriations	**173,000**	**773,000**	**964,792**	**(191,792)**
Budgetary Fund Balance, June 30	**$1,336,537**	**$ 603,537**	**$ 406,674**	**$ (196,863)**

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
LIGHTING DISTRICT #67
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 39,546	$ 39,546	$ 39,546	$ -
Resources (Inflows):				
Assessments	12,000	12,000	10,310	(1,690)
Use of money and property	-	-	540	540
Transfers in	18,000	23,000	-	(23,000)
Amounts Available for Appropriation	**69,546**	**74,546**	**50,396**	**(24,150)**
Charges to Appropriation (Outflow):				
Parks and recreation	30,000	35,000	24,138	10,862
Total Charges to Appropriations	**30,000**	**35,000**	**24,138**	**10,862**
Budgetary Fund Balance, June 30	**$ 39,546**	**$ 39,546**	**$ 26,258**	**$ (13,288)**

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ -	$ -	$ -	$ -
Resources (Inflows):				
Intergovernmental	-	1,500,000	1,073,785	(426,215)
Use of money and property	-	-	(483)	(483)
Transfers in	-	600,000	151,933	(448,067)
Amounts Available for Appropriation	**-**	**2,100,000**	**1,225,235**	**(874,765)**
Charges to Appropriation (Outflow):				
Capital outlay	-	2,100,000	1,517,586	582,414
Total Charges to Appropriations	**-**	**2,100,000**	**1,517,586**	**582,414**
Budgetary Fund Balance, June 30	**$ -**	**$ -**	**$ (292,351)**	**$ (292,351)**

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
C.I.P. 2010 BOND
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$8,105,401	$ 8,105,401	$ 8,105,401	$ -
Resources (Inflows):				
Charges for services	-	4,200,000	5,200,000	1,000,000
Use of money and property	-	20,000	99,692	79,692
Transfers in	-	310,000	310,000	-
Amounts Available for Appropriation	**8,105,401**	**12,635,401**	**13,715,093**	**1,079,692**
Charges to Appropriation (Outflow):				
General government	-	310,000	7,395,417	(7,085,417)
Capital outlay	-	-	1,412,384	(1,412,384)
Total Charges to Appropriations	**-**	**310,000**	**8,807,801**	**(8,497,801)**
Budgetary Fund Balance, June 30	**$8,105,401**	**$ 12,325,401**	**$ 4,907,292**	**$ (7,418,109)**

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013

	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication	Facilities Repair & Maintenance	Totals
Assets:					
Current:					
Cash and investments	$ 1,313,908	$ 3,441,988	$ 510,582	$ 295,565	$ 5,562,043
Due from other governments	23,911	2,692	-	-	26,603
Total Current Assets	**1,337,819**	**3,444,680**	**510,582**	**295,565**	**5,588,646**
Noncurrent:					
Capital assets - net of accumulated depreciation	526,053	-	25,471	-	551,524
Total Noncurrent Assets	**526,053**	**-**	**25,471**	**-**	**551,524**
Total Assets	**1,863,872**	**3,444,680**	**536,053**	**295,565**	**6,140,170**
Liabilities and Net Position:					
Liabilities:					
Current:					
Accounts payable	7,556	16,790	6,493	3,183	34,022
Accrued liabilities	16,538	-	8,922	-	25,460
Accrued compensated absences	-	2,068	-	-	2,068
Accrued claims and judgments	-	477,483	-	-	477,483
Total Current Liabilities	**24,094**	**496,341**	**15,415**	**3,183**	**539,033**
Noncurrent:					
Accrued compensated absences	40,689	-	13,833	-	54,522
Accrued claims and judgments	-	1,141,000	-	-	1,141,000
Total Noncurrent Liabilities	**40,689**	**1,141,000**	**13,833**	**-**	**1,195,522**
Total Liabilities	**64,783**	**1,637,341**	**29,248**	**3,183**	**1,734,555**
Net Position:					
Net investment in capital assets	526,053	-	25,471	-	551,524
Unrestricted	1,273,036	1,807,339	481,334	292,382	3,854,091
Total Net Position	**$ 1,799,089**	**$ 1,807,339**	**$ 506,805**	**$ 292,382**	**$ 4,405,615**

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication	Facilities Repair & Maintenance	Totals
Operating Revenues:					
Sales and service charges	$ 351,005	$ 437,127	$ 291,608	$ -	$ 1,079,740
Miscellaneous	139,534	100,329	678	-	240,541
Total Operating Revenues	**490,539**	**537,456**	**292,286**	**-**	**1,320,281**
Operating Expenses:					
Services and supplies	281,185	62,246	216,338	19,672	579,441
Claims expense	-	535,032	-	-	535,032
Depreciation expense	112,688	-	10,196	-	122,884
Personnel and administrative	253,247	243,378	139,331	-	635,956
Total Operating Expenses	**647,120**	**840,656**	**365,865**	**19,672**	**1,873,313**
Operating Loss	(156,581)	(303,200)	(73,579)	(19,672)	(553,032)
Nonoperating Revenues (Expenses):					
Interest revenue	17,900	44,684	6,778	4,010	73,372
Total Nonoperating Revenues	**17,900**	**44,684**	**6,778**	**4,010**	**73,372**
Loss Before Transfers	(138,681)	(258,516)	(66,801)	(15,662)	(479,660)
Transfers in	-	-	-	10,000	10,000
Changes in Net Position	(138,681)	(258,516)	(66,801)	(5,662)	(469,660)
Net Position:					
Beginning of Year	1,937,770	2,065,855	573,606	298,044	4,875,275
End of Fiscal Year	**$ 1,799,089**	**$ 1,807,339**	**$ 506,805**	**$ 292,382**	**$ 4,405,615**

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication	Facilities Repair & Maintenance	Totals
Cash Flows from Operating Activities:					
Cash received from/(paid to) interfund service provided	$ 487,835	$ 635,570	$ 292,286	$ -	$ 1,415,691
Cash paid to suppliers for goods and services	(287,196)	(483,751)	(211,849)	(18,033)	(1,000,829)
Cash paid to employees for services	(242,121)	(16,338)	(129,803)	-	(388,262)
Net Cash Provided (Used) by Operating Activities	**(41,482)**	**135,481**	**(49,366)**	**(18,033)**	**26,600**
Cash Flows from Non-Capital Financing Activities:					
Cash transfers in	-	-	-	10,000	10,000
Net Cash Provided by Non-Capital Financing Activities	**-**	**-**	**-**	**10,000**	**10,000**
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	-	-	(13,319)	-	(13,319)
Net Cash Used in Capital and Related Financing Activities	**-**	**-**	**(13,319)**	**-**	**(13,319)**
Cash Flows from Investing Activities:					
Interest received	17,900	44,684	6,778	4,010	73,372
Net Cash Provided by Investing Activities	**17,900**	**44,684**	**6,778**	**4,010**	**73,372**
Net Increase (Decrease) in Cash and Cash Equivalents	**(23,582)**	**180,165**	**(55,907)**	**(4,023)**	**96,653**
Cash and Cash Equivalents at Beginning of Year	1,337,490	3,261,823	566,489	299,588	5,465,390
Cash and Cash Equivalents at End of Year	**$ 1,313,908**	**$ 3,441,988**	**$ 510,582**	**$ 295,565**	**$ 5,562,043**
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating loss	$ (156,581)	$ (303,200)	$ (73,579)	$ (19,672)	$ (553,032)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	112,688	-	10,196	-	122,884
(Increase) decrease in due from other governments	(2,704)	98,114	-	-	95,410
Increase (decrease) in accounts payable	(6,011)	16,207	4,489	1,639	16,324
Increase (decrease) in accrued liabilities	9,127	-	3,953	-	13,080
Increase (decrease) in claims and judgments	-	340,698	-	-	340,698
Increase (decrease) in compensated absences	1,999	(16,338)	5,575	-	(8,764)
Total Adjustments	**115,099**	**438,681**	**24,213**	**1,639**	**579,632**
Net Cash Provided (Used) by Operating Activities	**$ (41,482)**	**$ 135,481**	**$ (49,366)**	**$ (18,033)**	**$ 26,600**

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET POSITION
ALL AGENCY FUNDS
JUNE 30, 2013

	Special Assessment Districts
Assets:	
Pooled cash and investments	$ 383,374
Total Assets	**$ 383,374**
Liabilities:	
Due to bondholders	$ 383,374
Total Liabilities	**$ 383,374**

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2013

	Balance 7/1/2012	Additions	Deductions	Balance 6/30/2013
Special Assessment Districts				
Assets:				
Pooled cash and investments	$ 462,707	$ 14,165	$ 93,498	$ 383,374
Total Assets	**$ 462,707**	**$ 14,165**	**$ 93,498**	**$ 383,374**
Liabilities:				
Due to bondholders	$ 462,707	$ 14,165	$ 93,498	$ 383,374
Total Liabilities	**$ 462,707**	**$ 14,165**	**$ 93,498**	**$ 383,374**