



CITY OF IMPERIAL BEACH, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2008

Lance Soll & Lunghard, LLP

203 North Brea Blvd
Suite 203
Brea, CA 92821

41185 Golden Gate Circle
Suite 103
Murrieta, CA 92562

Prepared By:
FINANCE DEPARTMENT

CITY OF IMPERIAL BEACH, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2008

CITY OF IMPERIAL BEACH
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet - Governmental Funds	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Budgetary Comparison Statement - General Fund	13
Statement of Net Assets - Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	15
Statement of Cash Flows - Proprietary Funds.....	16
Statement of Fiduciary Net Assets - Fiduciary Funds	18
Notes to Financial Statements.....	19

CITY OF IMPERIAL BEACH
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

	<u>Page Number</u>
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Combining Balance Sheet - Nonmajor Governmental Funds	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	46
Budgetary Comparison Schedules - Special Revenue Funds	
Gas Tax	49
Prop A Tax.....	50
Residential Construction.....	51
CDBG Grant	52
Supplemental Law Enforcement.....	53
Local Law Enforcement Block Grant	54
Lighting District # 67	55
Combining Statement of Net Assets - Internal Service Funds	56
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds	58
Combining Statement of Cash Flows - Internal Service Funds.....	60
Combining Statement of Changes in Assets and Liabilities - Agency Fund	64



CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, C.P.A.
- Donald L. Parker, C.P.A.
- Michael K. Chu, C.P.A.
- David E. Hale, C.P.A., C.F.P.
A Professional Corporation
- Donald G. Slater, C.P.A.
- Richard K. Kikuchi, C.P.A.
- Susan F. Matz, C.P.A.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Imperial Beach, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Imperial Beach's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Imperial Beach as of June 30, 2008, and the respective changes in financial position and cash flows where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2009 on our consideration of the City of Imperial Beach's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

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

Lance, Solt & Lughard, LLP

March 18, 2009

CITY OF IMPERIAL BEACH

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 46,676,181	\$ 2,172,345	\$ 48,848,526
Receivables:			
Accounts	240,588	133,044	373,632
Notes and loans	1,138,118	-	1,138,118
Accrued interest	253,770	-	253,770
Internal balances	33,611	(33,611)	-
Prepaid costs	418	-	418
Due from other governments	1,661,200	250,956	1,912,156
Inventories	6,642	-	6,642
Unamortized debt issuance costs	395,498	-	395,498
Land held for resale	331,005	-	331,005
Restricted assets:			
Cash with fiscal agent	1,761,872	-	1,761,872
Capital assets not being depreciated	16,593,760	98,677	16,692,437
Capital assets, net of depreciation	13,708,094	5,208,389	18,916,483
Total Assets	82,800,757	7,829,800	90,630,557
Liabilities:			
Accounts payable	4,773,684	184,080	4,957,764
Accrued liabilities	367,211	12,693	379,904
Accrued interest	89,772	-	89,772
Unearned revenue	1,049,058	-	1,049,058
Deposits payable	467,824	-	467,824
Noncurrent liabilities:			
Due within one year	677,494	12,964	690,458
Due in more than one year	20,317,223	31,114	20,348,337
Total Liabilities	27,742,266	240,851	27,983,117
Net Assets:			
Invested in capital assets, net of related debt	27,370,365	5,307,066	32,677,431
Restricted for:			
Public safety	24,897	-	24,897
Highways and streets	701,038	-	701,038
Capital projects	1,503,566	-	1,503,566
Debt service	9,212,937	-	9,212,937
Unrestricted	16,245,688	2,281,883	18,527,571
Total Net Assets	\$ 55,058,491	\$ 7,588,949	\$ 62,647,440

CITY OF IMPERIAL BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 5,428,622	\$ 568,072	\$ 323,614	\$ -
Public safety	8,531,375	723,960	3,525,750	-
Parks, recreation and senior center	1,534,100	53,114	-	-
Public works	1,495,754	-	94,074	1,819,396
Interest on long-term debt	1,619,767	-	-	-
Total Governmental Activities	18,609,618	1,345,146	3,943,438	1,819,396
Business-Type Activities:				
Sewer	4,058,266	3,831,867	-	-
Total Business-Type Activities	4,058,266	3,831,867	-	-
Total Primary Government	\$ 22,667,884	\$ 5,177,013	\$ 3,943,438	\$ 1,819,396

General Revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

ABC Charges

Intergovernmental, unrestricted:

Motor vehicle in lieu

Investment Earnings

Other

Transfers

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

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

Net Assets at End of Year

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (4,536,936)	\$ -	\$ (4,536,936)
(4,281,665)	-	(4,281,665)
(1,480,986)	-	(1,480,986)
417,716	-	417,716
(1,619,767)	-	(1,619,767)
(11,501,638)	-	(11,501,638)
-	(226,399)	(226,399)
-	(226,399)	(226,399)
(11,501,638)	(226,399)	(11,728,037)
11,154,984	-	11,154,984
209,022	-	209,022
926,338	-	926,338
752,544	-	752,544
289,305	-	289,305
1,854,290	-	1,854,290
123,222	-	123,222
2,955,690	109,796	3,065,486
159,460	-	159,460
2,999	(2,999)	-
18,427,854	106,797	18,534,651
6,926,216	(119,602)	6,806,614
48,008,971	7,832,921	55,841,892
123,304	(124,370)	(1,066)
\$ 55,058,491	\$ 7,588,949	\$ 62,647,440

CITY OF IMPERIAL BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General	Capital Projects Funds		Debt Service Fund
		Housing Redevelopment	Redevelopment Agency	Redevelopment Agency
Assets:				
Pooled cash and investments	\$ 11,311,402	\$ 7,553,014	\$ 11,870,262	\$ 8,453,741
Receivables:				
Accounts	235,902	-	-	-
Contract and notes	-	1,126,868	11,250	-
Accrued interest	253,770	-	-	-
Prepaid costs	418	-	-	-
Due from other governments	955,097	55,441	-	221,765
Due from other funds	44,313	-	-	-
Advances to other funds	3,738,100	-	-	-
Inventories	3,559	-	-	-
Land held for resale	-	331,005	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	1,761,872
Total Assets	\$ 16,542,561	\$ 9,066,328	\$ 11,881,512	\$ 10,437,378
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 3,140,173	\$ 8,796	\$ 95,235	\$ 1,224,441
Accrued liabilities	320,234	3,868	30,688	-
Deferred revenues	242,656	57,912	-	-
Unearned revenues	1,037,618	-	-	-
Deposits payable	467,824	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	3,738,100	-
Total Liabilities	5,208,505	70,576	3,864,023	1,224,441
Fund Balances:				
Reserved:				
Reserved for encumbrances	104,249	744	530,452	-
Reserved for prepaid costs	418	-	-	-
Reserved for land held for resale	-	331,005	-	-
Reserved for loans receivable	-	1,068,956	11,250	-
Reserved for advances to other funds	3,738,100	-	-	-
Reserved for inventories	3,559	-	-	-
Unreserved:				
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Designated for capital improvement projects	-	7,595,047	7,475,787	-
Designated for debt service	-	-	-	9,212,937
Undesignated	7,487,730	-	-	-
Total Fund Balances	11,334,056	8,995,752	8,017,489	9,212,937
Total Liabilities and Fund Balances	\$ 16,542,561	\$ 9,066,328	\$ 11,881,512	\$ 10,437,378

CITY OF IMPERIAL BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:		
Pooled cash and investments	\$ 2,190,361	\$ 41,378,780
Receivables:		
Accounts	550	236,452
Contract and notes	-	1,138,118
Accrued interest	-	253,770
Prepaid costs	-	418
Due from other governments	387,809	1,620,112
Due from other funds	-	44,313
Advances to other funds	-	3,738,100
Inventories	-	3,559
Land held for resale	-	331,005
Restricted assets:		
Cash and investments with fiscal agents	-	1,761,872
Total Assets	<u>\$ 2,578,720</u>	<u>\$ 50,506,499</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ 260,130	\$ 4,728,775
Accrued liabilities	1,501	356,291
Deferred revenues	207,040	507,608
Unearned revenues	11,440	1,049,058
Deposits payable	-	467,824
Due to other funds	44,313	44,313
Advances from other funds	-	3,738,100
Total Liabilities	<u>524,424</u>	<u>10,891,969</u>
Fund Balances:		
Reserved:		
Reserved for encumbrances	235,936	871,381
Reserved for prepaid costs	-	418
Reserved for land held for resale	-	331,005
Reserved for loans receivable	-	1,080,206
Reserved for advances to other funds	-	3,738,100
Reserved for inventories	-	3,559
Unreserved:		
Unreserved, reported in nonmajor:		
Special revenue funds	1,787,944	1,787,944
Capital projects funds	30,416	30,416
Designated for capital improvement projects	-	15,070,834
Designated for debt service	-	9,212,937
Undesignated	-	7,487,730
Total Fund Balances	<u>2,054,296</u>	<u>39,614,530</u>
Total Liabilities and Fund Balances	<u>\$ 2,578,720</u>	<u>\$ 50,506,499</u>

CITY OF IMPERIAL BEACH

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Fund balances of governmental funds \$ 39,614,530

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

Capital assets net of depreciation have not been included as financial resources in governmental fund activity. 29,268,433

Bond issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the statement of net assets. 395,498

Long-term debt and compensated absences that have not been included in the governmental fund activity:

 Long-term liabilities (19,944,730)
 Compensated Absences (617,052)

Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds. (89,772)

Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity. 507,608

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets. 5,923,976

Net assets of governmental activities \$ 55,058,491

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Capital Projects Funds			Debt Service Fund
	General	Housing	Redevelopment	Redevelopment
		Redevelopment	Agency	Agency
Revenues:				
Taxes	\$ 6,389,323	\$ 1,668,772	\$ -	\$ 5,006,318
Assessments	442	-	-	-
Licenses and permits	490,659	-	-	-
Intergovernmental	426,547	-	-	-
Charges for services	4,210,320	-	-	-
Use of money and property	1,136,648	397,289	629,640	413,018
Fines and forfeitures	294,487	-	-	-
Services provided	1,861,790	-	-	-
Miscellaneous	158,260	-	1,200	-
Total Revenues	14,968,476	2,066,061	630,840	5,419,336
Expenditures:				
Current:				
General government	2,398,661	194,939	2,484,912	47,120
Public safety	8,856,819	-	-	-
Parks, recreation and senior center	1,393,840	-	-	-
Public works	1,195,009	-	-	-
Capital outlay	83,896	-	272,148	-
Debt service:				
Principal retirement	-	81,000	-	324,000
Interest and fiscal charges	-	234,322	-	1,360,184
Total Expenditures	13,928,225	510,261	2,757,060	1,731,304
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,040,251	1,555,800	(2,126,220)	3,688,032
Other Financing Sources (Uses):				
Transfers in	655,270	-	2,121,995	-
Transfers out	(596,431)	-	-	(2,076,469)
Total Other Financing Sources (Uses)	58,839	-	2,121,995	(2,076,469)
Net Change in Fund Balances	1,099,090	1,555,800	(4,225)	1,611,563
Fund Balances, Beginning of Year, as previously reported	10,113,120	7,439,952	7,967,266	7,601,374
Restatements	121,846	-	54,448	-
Fund Balances, Beginning of Year, as restated	10,234,966	7,439,952	8,021,714	7,601,374
Fund Balances, End of Year	\$ 11,334,056	\$ 8,995,752	\$ 8,017,489	\$ 9,212,937

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:		
Taxes	\$ -	\$ 13,064,413
Assessments	11,648	12,090
Licenses and permits	26,734	517,393
Intergovernmental	1,786,616	2,213,163
Charges for services	-	4,210,320
Use of money and property	115,125	2,691,720
Fines and forfeitures	-	294,487
Services provided	-	1,861,790
Miscellaneous	-	159,460
Total Revenues	<u>1,940,123</u>	<u>25,024,836</u>
Expenditures:		
Current:		
General government	220,849	5,346,481
Public safety	151,846	9,008,665
Parks, recreation and senior center	25,378	1,419,218
Public works	229,535	1,424,544
Capital outlay	8,078	364,122
Debt service:		
Principal retirement	-	405,000
Interest and fiscal charges	-	1,594,506
Total Expenditures	<u>635,686</u>	<u>19,562,536</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,304,437</u>	<u>5,462,300</u>
Other Financing Sources (Uses):		
Transfers in	18,000	2,795,265
Transfers out	(702,892)	(3,375,792)
Total Other Financing Sources (Uses)	<u>(684,892)</u>	<u>(580,527)</u>
Net Change in Fund Balances	<u>619,545</u>	<u>4,881,773</u>
Fund Balances, Beginning of Year, as previously reported	1,500,271	34,621,983
Restatements	(65,520)	110,774
Fund Balances, Beginning of Year, as restated	<u>1,434,751</u>	<u>34,732,757</u>
Fund Balances, End of Year	<u><u>\$ 2,054,296</u></u>	<u><u>\$ 39,614,530</u></u>

CITY OF IMPERIAL BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2008**

Net change in fund balances - total governmental funds \$ 4,881,773

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. 750,778

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 223,186

Debt issuance costs are expenditures in governmental funds, but these costs are capitalized on the statement of net assets. 155,510

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 1,043

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. (68,517)

Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity. 274,841

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. 707,602

Change in net assets of governmental activities \$ 6,926,216

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 10,234,966	\$ 10,234,966	\$ 10,234,966	\$ -
Resources (Inflows):				
Taxes	6,549,114	6,549,114	6,389,323	(159,791)
Assessments	-	442	442	-
Licenses and permits	530,900	530,900	490,659	(40,241)
Intergovernmental	451,930	477,120	426,547	(50,573)
Charges for services	4,173,558	4,174,453	4,210,320	35,867
Use of money and property	908,672	908,672	1,136,648	227,976
Fines and forfeitures	329,766	329,766	294,487	(35,279)
Contributions	2,072,238	2,072,238	1,861,790	(210,448)
Miscellaneous	218,100	218,100	158,260	(59,840)
Transfers from other funds	1,275,892	1,275,892	655,270	(620,622)
Amounts Available for Appropriation	26,745,136	26,771,663	25,858,712	(912,951)
Charges to Appropriation (Outflow):				
Mayor/City Council	81,600	93,600	88,926	4,674
City Clerk's Office	235,377	231,777	233,221	(1,444)
City Manager	266,900	266,900	244,594	22,306
Personnel	226,970	228,108	218,120	9,988
Administrative Services	570,850	635,600	641,929	(6,329)
City Attorney	268,125	268,125	125,184	142,941
Community Development	267,772	317,772	358,399	(40,627)
Facilities Maintenance	248,049	135,320	227,585	(92,265)
Non Departmental	253,527	334,218	260,703	73,515
Law Enforcement Contract	5,914,453	5,930,751	5,407,416	523,335
Fire Protection Rescue	1,850,073	1,850,073	1,791,617	58,456
Ocean Beach Safety	1,142,243	1,142,243	1,134,527	7,716
Building Inspection	298,863	310,776	261,890	48,886
Animal Control	201,700	201,700	146,168	55,532
Disaster Preparedness	36,722	36,722	35,799	923
Code Enforcement	45,890	45,890	45,542	348
AVA Program	36,761	36,761	33,860	2,901
Recreation Srvcs. & Skatepark	231,679	296,679	238,032	58,647
Park Maintenance	356,294	362,794	346,440	16,354
Senior Services	26,094	27,431	25,620	1,811
Tidelands Maintenance	842,384	842,384	783,748	58,636
Street Maintenance	684,913	694,244	658,721	35,523
Public Works Administration	421,864	421,864	366,880	54,984
Solid Waste Management	100,499	108,153	169,325	(61,172)
Facilities - Sewer/Stormwater	-	150,000	83	149,917
Capital outlay	78,025	115,851	83,896	31,955
Transfers to other funds	-	-	596,431	(596,431)
Total Charges to Appropriations	14,687,627	15,085,736	14,524,656	561,080
Budgetary Fund Balance, June 30	\$ 12,057,509	\$ 11,685,927	\$ 11,334,056	\$ (1,474,031)

CITY OF IMPERIAL BEACH

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2008

	<u>Enterprise Fund</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	
Assets:		
Current Assets:		
Cash and investments	\$ 2,172,345	\$ 5,297,401
Receivables:		
Accounts	133,044	4,136
Due from other governments	250,956	41,088
Inventories	-	3,083
Total Current Assets	<u>2,556,345</u>	<u>5,345,708</u>
Noncurrent Assets:		
Capital assets - net of accumulated depreciation	5,307,066	1,033,421
Total Noncurrent Assets	<u>5,307,066</u>	<u>1,033,421</u>
Total Assets	<u>\$ 7,863,411</u>	<u>\$ 6,379,129</u>
Liabilities and Net Assets:		
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 184,080	\$ 44,909
Accrued liabilities	12,693	10,920
Total Current Liabilities	<u>196,773</u>	<u>55,829</u>
Noncurrent Liabilities:		
Compensated absences	44,078	50,501
Claims payable	-	382,434
Total Noncurrent Liabilities	<u>44,078</u>	<u>432,935</u>
Total Liabilities	<u>240,851</u>	<u>488,764</u>
Net Assets:		
Invested in capital assets, net of related debt	5,307,066	1,033,421
Unrestricted	2,315,494	4,856,944
Total Net Assets	<u>7,622,560</u>	<u>5,890,365</u>
Total Liabilities and Net Assets	<u>\$ 7,863,411</u>	<u>\$ 6,379,129</u>
Reconciliation of Net Assets to the Statement of Net Assets		
Net Assets per Statement of Net Assets - Proprietary Funds	\$ 7,622,560	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(75,525)	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds	41,914	
Net Assets per Statement of Net Assets	<u>\$ 7,588,949</u>	

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	<u>Enterprise Fund</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	
Operating Revenues:		
Sales and service charges	\$ 3,831,867	\$ 1,269,915
Miscellaneous	-	122,034
Total Operating Revenues	<u>3,831,867</u>	<u>1,391,949</u>
Operating Expenses:		
Services and supplies	3,395,242	48,069
Claims expenses	-	305,483
Depreciation	155,423	201,626
Personnel and administrative	549,515	903,939
Total Operating Expenses	<u>4,100,180</u>	<u>1,459,117</u>
Operating Income (Loss)	<u>(268,313)</u>	<u>(67,168)</u>
Nonoperating Revenues (Expenses):		
Interest revenue	<u>109,796</u>	<u>233,158</u>
Total Nonoperating Revenues (Expenses)	<u>109,796</u>	<u>233,158</u>
Income (Loss) Before Transfers	(158,517)	165,990
Transfers in	-	583,526
Transfers out	<u>(2,999)</u>	<u>-</u>
Changes in Net Assets	<u>(161,516)</u>	<u>749,516</u>
Net Assets:		
Beginning of Year, as previously reported	7,908,446	5,128,319
Restatements	<u>(124,370)</u>	<u>12,530</u>
Beginning of Fiscal Year, as restated	<u>7,784,076</u>	<u>5,140,849</u>
End of Fiscal Year	<u>\$ 7,622,560</u>	<u>\$ 5,890,365</u>
Reconciliation of Changes in Net Assets to the Statement of Activities:		
Changes in Net Assets, per the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	\$ (161,516)	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	<u>41,914</u>	
Changes in Net Assets of Business-Type Activities per Statement of Activities	<u>\$ (119,602)</u>	

CITY OF IMPERIAL BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2008

	<u>Enterprise Fund</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 3,722,225	\$ -
Cash received from/(paid to) interfund service provided	-	1,371,374
Cash paid to suppliers for goods and services	(3,334,659)	(673,480)
Cash paid to employees for services	(540,190)	(891,288)
Net Cash Provided (Used) by Operating Activities	<u>(152,624)</u>	<u>(193,394)</u>
Cash Flows from Non-Capital Financing Activities:		
Cash transfers in	(2,999)	583,526
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(2,999)</u>	<u>583,526</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(579,649)	(376,553)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(579,649)</u>	<u>(376,553)</u>
Cash Flows from Investing Activities:		
Interest received	109,796	233,158
Net Cash Provided (Used) by Investing Activities	<u>109,796</u>	<u>233,158</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(625,476)	246,737
Cash and Cash Equivalents at Beginning of Year	2,797,821	5,050,664
Cash and Cash Equivalents at End of Year	<u>\$ 2,172,345</u>	<u>\$ 5,297,401</u>

CITY OF IMPERIAL BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2008

	<u>Enterprise Fund</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (268,313)	\$ (67,168)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	155,423	201,626
(Increase) decrease in accounts receivable	(1,646)	(3,630)
(Increase) decrease in due from other governments	(107,996)	(16,945)
Increase (decrease) in accounts payable	60,583	(168,636)
Increase (decrease) in accrued liabilities	3,069	5,240
Increase (decrease) in claims and judgments	-	(151,292)
Increase (decrease) in compensated absences	6,256	7,411
	<u>115,689</u>	<u>(126,226)</u>
Total Adjustments	115,689	(126,226)
Net Cash Provided (Used) by Operating Activities	\$ (152,624)	\$ (193,394)

CITY OF IMPERIAL BEACH

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Agency Funds</u>
Assets:	
Cash and investments	<u>\$ 573,632</u>
Total Assets	<u><u>\$ 573,632</u></u>
Liabilities:	
Due to bondholders	<u>\$ 573,632</u>
Total Liabilities	<u><u>\$ 573,632</u></u>

CITY OF IMPERIAL BEACH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

a. Description of the Reporting Entity

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

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

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

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

Blended Component Units

Imperial Beach Redevelopment Agency

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

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

Imperial Beach Public Financing Authority

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

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of gas tax which is 90 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. Fiduciary Funds are accounted for on a full accrual basis.

**City of Imperial Beach
Notes to Financial Statements (Continued)**

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.

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

- 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.

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

- Agency Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. They do not involve measurement of results of operations. The City's agency funds account for its special assessment districts.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds and of the Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

d. Assets, Liabilities and Net Assets or Equity

Cash and Investments

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

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

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Functional Classifications

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

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

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The fund balances in the governmental fund types have been reserved for amounts equal to the prepaid items in the fund-level statements, since these amounts are not available for appropriation.

Capital Assets

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

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Compensated Absences

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

Accumulated vested sick pay and vacation pay at June 30, 2008, 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.

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

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

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

Fund Equity

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

Encumbrances

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

e. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance-governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities and compensated absences have not been included in the governmental fund activity." The detail of the (\$19,944,730) long-term debt difference is as follows:

Tax Allocation Bonds	\$ (20,220,000)
Unamortized Bond Discount	<u>275,270</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u><u>\$ (19,944,730)</u></u>

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The details of this \$750,778 difference are as follows:

Capital Outlay	\$ 1,506,933
Depreciation Expense	<u>(756,155)</u>
Net adjustment to increase net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 750,778</u>

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. General Budget Policies

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

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

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

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

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 2: Stewardship, Compliance and Accountability (Continued)

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

Under Article XIII-B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset by a deficit in the following year. For the fiscal year ended June 30, 2008, based on calculations by City staff, proceeds of taxes did not exceed appropriations. Further, Section 5 of Article XIII-B allows the City to designate a portion of fund balance for general contingencies to be used for any purpose.

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

A project-length budget is adopted for the capital projects funds. The debt service fund is governed by bond covenants, therefore a formal budget is not adopted. Thus, the City does not show a budget comparison for these funds.

b. Excess of Expenditures Over Appropriations are as Follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
City Clerk's Office	\$ 233,221	\$ 231,777	\$ 1,444
Administrative Services	641,929	635,600	6,329
Community Development	358,399	317,772	40,627
Facilities Maintenance	227,585	135,320	92,265
Solid Waste Management	169,325	108,153	61,172

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2008, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 48,438,053
Business-Type activities	2,172,345
Fiduciary funds	<u>573,632</u>
Total Cash and Investments	<u><u>\$ 51,184,030</u></u>

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

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 3: Cash and Investments (Continued)

Deposits

At June 30, 2008, the carrying amount of the City's deposits was \$647,438 and the bank balance was \$779,862. The \$132,424 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities with a value of 110% of a city's deposits. California law also allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$100,000 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

City of Imperial Beach
Notes to Financial Statements (Continued)

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, 2008, the City had no investments in medium-term notes. In addition, the City's investments in Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation were rated "AAA" by Moody's and by S&P. All securities were investment grade and were legal under State law. Investments in U.S. Treasuries are not considered to have credit risk; therefore, their credit quality is not disclosed. As of June 30, 2008, 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, 2008, none of the City's deposits or investments was exposed to custodial credit risk.

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 3: Cash and Investments (Continued)

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer to 33% of the total investment pool. With respect to concentration risk, as of June 30, 2008, the City has not invested more than 33% 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, 2008, the City has investments with the following issuers, which exceed 5% of the total investment value:

Federal Home Loan Bank	\$ 5,909,360	12%
Federal National Mortgage Association	5,045,035	10%

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, 2008, the City had the following investments and original maturities:

Investment Type:	Investment Maturities (in Years)				Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	3 to 5 years	
California Local Agency Investment Fund	\$ 33,710,643	\$ -	\$ -	\$ -	\$ 33,710,643
Federal Home Loan Mortgage Group	-	-	-	2,115,921	2,115,921
Federal Farm Credit Bank	-	-	-	1,993,760	1,993,760
Federal Home Loan Bank	-	-	2,514,850	3,394,510	5,909,360
Federal National Meeting Association	-	-	-	5,045,035	5,045,035
Money Market Mutual Funds - held by fiscal agent	1,761,873	-	-	-	1,761,873
	<u>\$ 35,472,516</u>	<u>\$ -</u>	<u>\$ 2,514,850</u>	<u>\$ 12,549,226</u>	<u>\$ 50,536,592</u>

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Adjustments*	Adjusted Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental Activities:							
Capital assets, not being depreciated:							
Land	\$ 1,638,532	\$ -	\$ 1,638,532	\$ -	\$ -	\$ -	\$ 1,638,532
Infrastructure right-of-way	12,406,327	-	12,406,327	-	-	-	12,406,327
Construction-in-progress	1,397,395	-	1,397,395	-	1,151,506	-	2,548,901
Total Capital Assets, Not Being Depreciated	15,442,254	-	15,442,254	-	1,151,506	-	16,593,760
Capital assets, being depreciated:							
Structures and improvements	4,921,201	12,373	4,933,574	-	21,023	-	4,954,597
Equipment and vehicles	3,554,420	(148,235)	3,406,185	-	422,314	166,534	3,661,965
Infrastructure	12,977,792	-	12,977,792	-	752	-	12,978,544
Total Capital Assets, Being Depreciated	21,453,413	(135,862)	21,317,551	-	444,089	166,534	21,595,106
Less accumulated depreciation:							
Structures and improvements	2,512,589	(130,138)	2,382,451	-	147,844	-	2,530,295
Equipment and vehicles	2,566,658	(91,989)	2,474,669	-	235,109	166,534	2,543,244
Infrastructure	2,440,271	-	2,440,271	-	373,202	-	2,813,473
Total Accumulated Depreciation	7,519,518	(222,127)	7,297,391	-	756,155	166,534	7,887,012
Total Capital Assets, Being Depreciated, Net	13,933,895	86,265	14,020,160	-	(312,066)	-	13,708,094
Governmental Activities Capital Assets, Net	\$ 29,376,149	\$ 86,265	\$ 29,462,414	\$ -	\$ 839,440	\$ -	\$ 30,301,854
Business-Type Activities:							
Capital assets, not being depreciated:							
Construction-in-progress	\$ 14,387	\$ -	\$ 14,387	\$ (14,387)	\$ 98,677	\$ -	\$ 98,677
Total Capital Assets, Not Being Depreciated	14,387	-	14,387	(14,387)	98,677	-	98,677
Capital assets, being depreciated:							
Sewer Lines and Pump Stations	7,793,245	-	7,793,245	14,387	356,602	-	8,164,234
Total Capital Assets, Being Depreciated	7,793,245	-	7,793,245	14,387	356,602	-	8,164,234
Less accumulated depreciation:							
Sewer Lines and Pump Stations	2,800,422	-	2,800,422	-	155,423	-	2,955,845
Total Accumulated Depreciation	2,800,422	-	2,800,422	-	155,423	-	2,955,845
Total Capital Assets, Being Depreciated, Net	4,992,823	-	4,992,823	14,387	201,179	-	5,208,389
Business-Type Activities Capital Assets, Net	\$ 5,007,210	\$ -	\$ 5,007,210	\$ -	\$ 299,856	\$ -	\$ 5,307,066

* Adjustments were to properly state capital asset balances.

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 4: Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 37,653
Public Safety	405,104
Public Works	15,594
Parks, Recreation and Senior Center	96,177
Internal Service Funds	<u>201,627</u>
Total Governmental Activities	<u>\$ 756,155</u>
Business-Type Activities:	
Sewer	<u>\$ 155,423</u>

Note 5: Deferred Revenue and Unearned Revenue

General Fund deferred revenue of \$242,656 relates to sales tax revenue and grant revenue accrued but not yet received within the recognition periods.

General Fund unearned revenue consists of \$910,000 relating to a lease with the Unified Port District of San Diego and \$127,618 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, 2008, \$910,000 remains of this unearned lease revenue.

Note 6: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2008 is as follows:

Due To/Due From Other Funds

Funds	Due to Other Funds	
	Non-major Governmental Funds	Total
Due From Other Funds:		
General Fund	\$ 44,313	\$ 44,313
Total	\$ 44,313	\$ 44,313

At the end of Fiscal Year 2007/2008, \$44,313 was due for deficit cash balances in the non-major funds.

**City of Imperial Beach
Notes to Financial Statements (Continued)**

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

Advances To/From Other Funds

<u>Funds</u>	<u>Advances from Other Funds Capital Projects Redevelopment</u>	<u>Total</u>
Advances to Other Funds:		
General Fund	\$ 3,738,100	\$ 3,738,100
Total	<u>\$ 3,738,100</u>	<u>\$ 3,738,100</u>

During the current and previous fiscal years, the City of Imperial Beach has made loans to the Agency. These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The City may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated with the next fiscal year. As of June 30, 2008, loans made from the General Fund to the Redevelopment Agency Capital Projects Fund, including accrued unpaid interest owed on those loans, were \$3,738,100.

Interfund Transfers

	<u>Transfers In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Redevelopment</u>	<u>Internal Service Funds</u>	<u>Nonmajor Funds</u>	
Transfers Out:					
General Fund	\$ -	\$ (2,096)	\$ 580,527	\$ 18,000	\$ 596,431
Debt Service Redevelopment	-	2,076,469	-	-	2,076,469
Sewer	-	-	2,999	-	2,999
Nonmajor Funds	655,270	47,622	-	-	702,892
Total	<u>\$ 655,270</u>	<u>\$ 2,121,995</u>	<u>\$ 583,526</u>	<u>\$ 18,000</u>	<u>\$ 3,378,791</u>

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

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 7: Long-Term Debt

a. Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Compensated Absences	\$ 591,625	\$ 377,751	\$ 301,825	\$ 667,551	\$ 153,126
Tax Allocation Bonds	20,625,000	-	405,000	20,220,000	415,000
Claims & Judgments	546,256	-	163,820	382,436	109,368
	<u>\$ 21,762,881</u>	<u>\$ 377,751</u>	<u>\$ 870,645</u>	21,269,987	<u>\$ 677,494</u>
			Less: Unamortized discount	<u>275,270</u>	
			Net Long-Term Debt	<u>\$ 20,994,717</u>	

Tax Allocation Bonds

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

Debt Service Repayment Schedule

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

	<u>2003 Tax Allocation Bonds, Series A</u>	
	<u>Principal</u>	<u>Interest</u>
2008 - 2009	\$ 415,000	\$ 1,132,771
2009 - 2010	430,000	1,118,454
2010 - 2011	450,000	1,102,329
2011 - 2012	470,000	1,083,204
2012 - 2013	490,000	1,061,584
2013 - 2018	2,840,000	4,914,921
2018 - 2023	3,705,000	4,052,513
2023 - 2028	4,900,000	2,848,418
2028 - 2033	<u>6,520,000</u>	<u>1,219,200</u>
Totals	<u>\$ 20,220,000</u>	<u>\$ 18,533,394</u>

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 7: Long-Term Debt (Continued)

GASB Statement No. 48 – Pledges of Future Revenues

The Agency has pledged, as security for bonds it has issued, either directly or through the City's Financing Authority, a portion of the tax increment revenue, including Low and Moderate Income Housing set-aside, that it receives. These bonds were to provide financing for various capital projects and to accomplish Low and Moderate Income Housing projects. The Agency has committed to appropriate each year, from these resources amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$38,753,394 as indicated in the table above. For the current year, the total tax increment revenue and the required 20% Low and Moderate Income Housing set-aside revenue recognized by the Agency was \$5,006,318 and \$1,668,772, respectively.

b. Proprietary Fund Long-Term Debt

The following is a summary of changes in Proprietary Fund long-term debt for the year ended June 30, 2008:

	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>	Due Within <u>One Year</u>
Enterprise Fund:					
Compensated absences	<u>\$ 37,822</u>	<u>\$ 18,743</u>	<u>\$ 12,487</u>	<u>\$ 44,078</u>	<u>\$ 12,964</u>

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, 2008, was \$277,929. This bond liability has not been recorded in the accompanying financial statements in compliance with GASB Statement No. 6.

d. Limited Obligation Improvement Bonds

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

IV. OTHER INFORMATION

Note 8: City Employees Retirement Plan (Defined Benefit Pension Plan)

Plan Description

The City of Imperial Beach contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 12.31% for miscellaneous employees, 16.46% for fire employees and 23.58% for ocean lifeguards, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2008, the City's annual pension cost of \$756,893 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service and (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was 16 years for miscellaneous and 17 years for safety.

For 2008, the City's annual pension cost of \$770,665 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method.

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 8: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

Three-Year Trend Information for PERS			
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Miscellaneous Members</u>			
6/30/2006	\$ 181,008	100%	\$ -
6/30/2007	387,164	100%	-
6/30/2008	450,619	100%	-
<u>Safety Members</u>			
6/30/2006	226,720	100%	-
6/30/2007	311,479	100%	-
6/30/2008	320,046	100%	-

Note 9: Self-Insurance Program

General Liability

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

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

Workers Compensation

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

The City established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risk of loss when it became a member of SANDPIPA, SDCCRMA and CSAC for liability, property casualty and workers compensation coverage. All funds of the City participate in the program and make payments to the Self-Insurance Fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. The estimated claims liability of \$382,434 reported at June 30, 2008, is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The above amount includes an estimate for incurred but not reported claims.

City of Imperial Beach
Notes to Financial Statements (Continued)

Note 9: Self-Insurance Program (Continued)

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

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

	<u>2006-2007</u>	<u>2007-2008</u>
Claims outstanding at beginning of year	\$ 495,232	\$ 546,256
Claims and changes in estimates	165,155	(73,559)
Claim payments	<u>(114,131)</u>	<u>(90,261)</u>
Claims outstanding at end of year	<u>\$ 546,256</u>	<u>\$ 382,436</u>

Note 10: Contingencies

Litigation

The City is involved in various lawsuits of which the outcome was undetermined as of June 30, 2008. No amount has been accrued for these contingent amounts.

Major Service Contracts

The San Diego Unified Port District owns the beachfront and bayfront in the City of Imperial Beach. Starting in fiscal year 1989-1990, the City entered into a contractual agreement with the San Diego Unified Port District, whereby the Port District provides reimbursement to the City for costs incurred in the maintenance and public safety services for the over two million visitors to the Port's beach area. In fiscal year 2007-2008 the City received \$3,411,775 or 22% of its general fund revenue from the Port District. In October 2006, the City entered into a new contract with the San Diego Unified Port District whereby the Port District will provide reimbursement to the City for costs incurred relative to the beachfront from July 1, 2006 through June 30, 2009. This is a renewal of the previous contract which ended June 30, 2006. The new contract provides for cost reimbursement to the City of an amount not to exceed \$7,846,525 through June 30, 2009. A failure to renew the agreement either through the Port District's unwillingness or inability to do so would result in the City adjusting expenditures and service levels to meet the Port's level of reimbursement. There is no indication of any proposed substantial change to this contractual relationship.

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 11: Fund Equity

a. Fund Equity and Net Assets Restatements

Beginning fund balance has been restated as follows:

Governmental Funds:	
General Fund	
To restate prior year accounts payable and deposits payable	\$ 121,846
Capital Projects Redevelopment Agency	
To close out capital projects from prior years	54,448
Non-major Governmental Funds:	
To restate prior year accounts payable	<u>(65,520)</u>
	<u>\$ 110,774</u>
Proprietary Funds:	
Sewer Fund	
To record prior year construction in progress	<u>\$ (124,370)</u>
Internal Service Funds:	
Self-Insurance	
To properly record claims and judgments	<u>\$ 12,530</u>
	<u>\$ 12,530</u>
Net assets have been restated as follows:	
Governmental Activities	
Restatements from above	\$ 110,774
Internal services restatements from above	<u>12,530</u>
	<u>\$ 123,304</u>

Note 12: Property Tax

Property tax revenue is recognized on the basis of NCGA Interpretation No. 3; (adopted by GASB) that is, in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of San Diego collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31.

**City of Imperial Beach
Notes to Financial Statements (Continued)**

Note 13: Subsequent Events

a. Educational Revenue Augmentation Fund (ERAF)

On September 30, 2008, the California Legislature passed AB 1389, requiring a shift in tax increment revenues during fiscal year 2008-2009 to the state Educational Revenue Augmentation Fund (ERAF). It is estimated that the Agency's share of the ERAF shift for fiscal year 2008-2009 will amount to approximately \$551,316.

b. Financial Concerns Relating to the California Economy

As indicated in the State of California's 2008-2009 Proposed Budget Summary – Economic Outlook:

“The California and national economies faced considerable headwinds - a deepening housing slump, a breakdown in mortgage markets, tighter credit, more volatile financial markets, and rising energy prices. Upward resets of subprime mortgage rates made payments unaffordable for many borrowers and helped push mortgage defaults and foreclosures to record levels. Several large financial institutions reported huge losses on subprime mortgages and securities backed by these mortgages. Uncertainty about how far the problems with these mortgages would spread increased financial market volatility and prompted lenders to tighten credit standards. The Federal Reserve injected liquidity into the financial markets and eased monetary policy on a number of occasions in the second half of the year, but as year-end neared, financial markets were still not functioning normally.”

While the values shown in the attached financial statements reflect those present at June 30, 2008, substantial changes have occurred in the economy in which the City and its component units operate. Therefore, the projection of the financial data for the City and its component units into future periods must recognize these factors and consider the effect of these on its operations and costs.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue Funds			
	<u>Gas Tax</u>	<u>Prop A Tax</u>	<u>Residential Construction</u>	<u>CDBG Grant</u>
Assets:				
Pooled cash and investments	\$ 532,273	\$ 852,883	\$ 188,775	\$ -
Receivables:				
Accounts	-	-	-	-
Due from other governments	168,833	-	-	218,976
Total Assets	<u>\$ 701,106</u>	<u>\$ 852,883</u>	<u>\$ 188,775</u>	<u>\$ 218,976</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 16,096	\$ 500	\$ 175,469
Accrued liabilities	120	500	226	655
Deferred revenues	-	-	-	207,040
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	44,313
Total Liabilities	<u>120</u>	<u>16,596</u>	<u>726</u>	<u>427,477</u>
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	55,880	-	177,176
Undesignated	700,986	780,407	188,049	(385,677)
Total Fund Balances	<u>700,986</u>	<u>836,287</u>	<u>188,049</u>	<u>(208,501)</u>
Total Liabilities and Fund Balances	<u>\$ 701,106</u>	<u>\$ 852,883</u>	<u>\$ 188,775</u>	<u>\$ 218,976</u>

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

Continued

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Assets:				
Pooled cash and investments	\$ 857	\$ 37,708	\$ 28,561	\$ 52
Receivables:				
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Total Assets	\$ 857	\$ 37,708	\$ 28,561	\$ 52
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 2,228	\$ 3,931	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	11,440	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	13,668	3,931	-
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	-	-
Undesignated	857	24,040	24,630	52
Total Fund Balances	857	24,040	24,630	52
Total Liabilities and Fund Balances	\$ 857	\$ 37,708	\$ 28,561	\$ 52

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds		Capital Projects Fund	Total Governmental Funds
	Parks Grant Fund	Prop 1B	Capital Projects	
Assets:				
Pooled cash and investments	\$ 87	\$ 454,513	\$ 94,652	\$ 2,190,361
Receivables:				
Accounts	-	-	550	550
Due from other governments	-	-	-	387,809
Total Assets	\$ 87	\$ 454,513	\$ 95,202	\$ 2,578,720
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 61,906	\$ 260,130
Accrued liabilities	-	-	-	1,501
Deferred revenues	-	-	-	207,040
Unearned revenues	-	-	-	11,440
Due to other funds	-	-	-	44,313
Total Liabilities	-	-	61,906	524,424
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	2,880	235,936
Undesignated	87	454,513	30,416	1,818,360
Total Fund Balances	87	454,513	33,296	2,054,296
Total Liabilities and Fund Balances	\$ 87	\$ 454,513	\$ 95,202	\$ 2,578,720

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

Special Revenue Funds

	Gas Tax	Prop A Tax	Residential Construction	CDBG Grant
Revenues:				
Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	26,734	-
Intergovernmental	501,412	721,113	-	11,936
Use of money and property	39,585	45,956	9,167	-
Total Revenues	540,997	767,069	35,901	11,936
Expenditures:				
Current:				
General government	-	-	-	220,443
Public safety	-	-	3,371	-
Parks, recreation and senior center	-	-	-	-
Public works	713	228,822	-	-
Capital outlay	-	-	-	-
Total Expenditures	713	228,822	3,371	220,443
Excess (Deficiency) of Revenues Over (Under) Expenditures	540,284	538,247	32,530	(208,507)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(214,270)	(441,000)	-	-
Total Other Financing Sources (Uses)	(214,270)	(441,000)	-	-
Net Change in Fund Balances	326,014	97,247	32,530	(208,507)
Fund Balances, Beginning of Year	374,972	739,040	155,519	6
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	374,972	739,040	155,519	6
Fund Balances, End of Year	\$ 700,986	\$ 836,287	\$ 188,049	\$ (208,501)

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

Continued

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Revenues:				
Assessments	\$ -	\$ -	\$ 11,648	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	100,000	6,475	-	-
Use of money and property	2,620	2,078	713	31
Total Revenues	102,620	8,553	12,361	31
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	142,000	6,475	-	-
Parks, recreation and senior center	-	-	25,378	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	142,000	6,475	25,378	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(39,380)	2,078	(13,017)	31
Other Financing Sources (Uses):				
Transfers in	-	-	18,000	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	18,000	-
Net Change in Fund Balances	(39,380)	2,078	4,983	31
Fund Balances, Beginning of Year	40,237	21,962	19,647	21
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	40,237	21,962	19,647	21
Fund Balances, End of Year	\$ 857	\$ 24,040	\$ 24,630	\$ 52

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Fund		Capital Projects Fund	Total Governmental Funds
	Parks Grant Fund	Prop 1B	Capital Projects	
Revenues:				
Assessments	\$ -	\$ -	\$ -	\$ 11,648
Licenses and permits	-	-	-	26,734
Intergovernmental	-	445,680	-	1,786,616
Use of money and property	44	8,833	6,098	115,125
Total Revenues	44	454,513	6,098	1,940,123
Expenditures:				
Current:				
General government	-	-	406	220,849
Public safety	-	-	-	151,846
Parks, recreation and senior center	-	-	-	25,378
Public works	-	-	-	229,535
Capital outlay	-	-	8,078	8,078
Total Expenditures	-	-	8,484	635,686
Excess (Deficiency) of Revenues Over (Under) Expenditures	44	454,513	(2,386)	1,304,437
Other Financing Sources (Uses):				
Transfers in	-	-	-	18,000
Transfers out	-	-	(47,622)	(702,892)
Total Other Financing Sources (Uses)	-	-	(47,622)	(684,892)
Net Change in Fund Balances	44	454,513	(50,008)	619,545
Fund Balances, Beginning of Year	43	-	148,824	1,500,271
Restatements	-	-	(65,520)	(65,520)
Fund Balances, Beginning of Year, as Restated	43	-	83,304	1,434,751
Fund Balances, End of Year	\$ 87	\$ 454,513	\$ 33,296	\$ 2,054,296

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE

GAS TAX

YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 374,972	\$ 374,972	\$ 374,972	\$ -
Resources (Inflows):				
Intergovernmental	547,800	547,800	501,412	(46,388)
Amounts Available for Appropriation	936,772	936,772	915,969	(20,803)
Charges to Appropriation (Outflow):				
Public works	-	95,000	713	94,287
Transfers to other funds	561,800	631,800	214,270	417,530
Total Charges to Appropriations	561,800	726,800	214,983	511,817
Budgetary Fund Balance, June 30	\$ 374,972	\$ 209,972	\$ 700,986	\$ 491,014

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
PROP A TAX
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 739,040	\$ 739,040	\$ 739,040	\$ -
Resources (Inflows):				
Intergovernmental	822,000	822,000	721,113	(100,887)
Amounts Available for Appropriation	1,578,040	1,578,040	1,506,109	(71,931)
Charges to Appropriation (Outflow):				
Public works	381,000	777,313	228,822	548,491
Transfers to other funds	714,092	714,092	441,000	273,092
Total Charges to Appropriations	1,095,092	1,491,405	669,822	821,583
Budgetary Fund Balance, June 30	\$ 482,948	\$ 86,635	\$ 836,287	\$ 749,652

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
RESIDENTIAL CONSTRUCTION
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 155,519	\$ 155,519	\$ 155,519	\$ -
Resources (Inflows):				
Licenses and permits	46,000	46,000	26,734	(19,266)
Amounts Available for Appropriation	211,319	211,319	191,420	(19,899)
Charges to Appropriation (Outflow):				
Public safety	-	30,000	3,371	26,629
Total Charges to Appropriations	-	30,000	3,371	26,629
Budgetary Fund Balance, June 30	\$ 211,319	\$ 181,319	\$ 188,049	\$ 6,730

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 CDBG GRANT
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 6	\$ 6	\$ 6	\$ -
Resources (Inflows):				
Intergovernmental	432,498	432,498	11,936	(420,562)
Amounts Available for Appropriation	432,504	432,504	11,942	(420,562)
Charges to Appropriation (Outflow):				
General government	432,498	868,498	220,443	648,055
Total Charges to Appropriations	432,498	868,498	220,443	648,055
Budgetary Fund Balance, June 30	\$ 6	\$ (435,994)	\$ (208,501)	\$ 227,493

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 40,237	\$ 40,237	\$ 40,237	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	100,000	-
Amounts Available for Appropriation	141,164	141,164	142,857	1,693
Charges to Appropriation (Outflow):				
Public safety	100,000	100,000	142,000	(42,000)
Total Charges to Appropriations	100,000	100,000	142,000	(42,000)
Budgetary Fund Balance, June 30	\$ 41,164	\$ 41,164	\$ 857	\$ (40,307)

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 LOCAL LAW ENFORCEMENT BLOCK GRANT
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 21,962	\$ 21,962	\$ 21,962	\$ -
Resources (Inflows):				
Intergovernmental	48,900	48,900	6,475	(42,425)
Amounts Available for Appropriation	71,362	71,362	30,515	(40,847)
Charges to Appropriation (Outflow):				
Public safety	25,000	25,000	6,475	18,525
Total Charges to Appropriations	25,000	25,000	6,475	18,525
Budgetary Fund Balance, June 30	\$ 46,362	\$ 46,362	\$ 24,040	\$ (22,322)

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
LIGHTING DISTRICT #67
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 19,647	\$ 19,647	\$ 19,647	\$ -
Resources (Inflows):				
Assessments	12,000	12,000	11,648	(352)
Transfers from other funds	18,000	18,000	18,000	-
Amounts Available for Appropriation	49,647	49,647	50,008	361
Charges to Appropriation (Outflow):				
Parks and recreation	30,000	30,000	25,378	4,622
Total Charges to Appropriations	30,000	30,000	25,378	4,622
Budgetary Fund Balance, June 30	\$ 19,647	\$ 19,647	\$ 24,630	\$ 4,983

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2008

	Governmental Activities - Internal Service Funds		
	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication
Assets:			
Current:			
Cash and investments	\$ 1,408,844	\$ 2,987,196	\$ 685,782
Receivables (net of allowance for uncollectibles):			
Accounts	4,136	-	-
Due from other agencies	37,831	3,257	-
Inventories	3,083	-	-
Total Current Assets	1,453,894	2,990,453	685,782
Noncurrent:			
Capital assets - net of accumulated depreciation	949,734	-	83,687
Total Noncurrent Assets	949,734	-	83,687
Total Assets	\$ 2,403,628	\$ 2,990,453	\$ 769,469
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 18,644	\$ 5,081	\$ 11,259
Accrued liabilities	4,893	2,653	3,187
Total Current Liabilities	23,537	7,734	14,446
Noncurrent:			
Accrued compensated absences	36,300	10,378	3,823
Accrued claims and judgments	-	382,434	-
Total Noncurrent Liabilities	36,300	392,812	3,823
Total Liabilities	59,837	400,546	18,269
Net Assets:			
Invested in capital assets, net of related debt	949,734	-	83,687
Unrestricted	1,394,057	2,589,907	667,513
Total Net Assets	2,343,791	2,589,907	751,200
Total Liabilities and Net Assets	\$ 2,403,628	\$ 2,990,453	\$ 769,469

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2008

Governmental Activities -
Internal Service Funds

	<u>Facilities Repair & Maintenance</u>	<u>Totals</u>
Assets:		
Current:		
Cash and investments	\$ 215,579	\$ 5,297,401
Receivables (net of allowance for uncollectibles):		
Accounts	-	4,136
Due from other agencies	-	41,088
Inventories	-	3,083
Total Current Assets	215,579	5,345,708
Noncurrent:		
Capital assets - net of accumulated depreciation	-	1,033,421
Total Noncurrent Assets	-	1,033,421
Total Assets	\$ 215,579	\$ 6,379,129
Liabilities and Net Assets:		
Liabilities:		
Current:		
Accounts payable	\$ 9,925	\$ 44,909
Accrued liabilities	187	10,920
Total Current Liabilities	10,112	55,829
Noncurrent:		
Accrued compensated absences	-	50,501
Accrued claims and judgments	-	382,434
Total Noncurrent Liabilities	-	432,935
Total Liabilities	10,112	488,764
Net Assets:		
Invested in capital assets, net of related debt	-	1,033,421
Unrestricted	205,467	4,856,944
Total Net Assets	205,467	5,890,365
Total Liabilities and Net Assets	\$ 215,579	\$ 6,379,129

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2008

	Governmental Activities - Internal Service Funds		
	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication
Operating Revenues:			
Sales and service charges	352,817	\$ 592,448	\$ 324,650
Miscellaneous	115,855	3,294	2,885
Total Operating Revenues	468,672	595,742	327,535
Operating Expenses:			
Services and supplies	-	35,901	-
Claims expense	-	305,483	-
Depreciation expense	123,678	-	77,948
Personnel and administrative	456,532	125,571	301,483
Total Operating Expenses	580,210	466,955	379,431
Operating Income (Loss)	(111,538)	128,787	(51,896)
Nonoperating Revenues (Expenses):			
Interest revenue	74,381	128,142	29,116
Total Nonoperating Revenues (Expenses)	74,381	128,142	29,116
Income (Loss) Before Transfers	(37,157)	256,929	(22,780)
Transfers in	5,527	300,000	77,999
Changes in Net Assets	(31,630)	556,929	55,219
Net Assets:			
Beginning of Year, as originally reported	2,375,421	2,020,448	695,981
Restatements	-	12,530	-
Beginning of Fiscal Year, as restated	2,375,421	2,032,978	695,981
End of Fiscal Year	\$ 2,343,791	\$ 2,589,907	\$ 751,200

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2008

	<u>Governmental Activities - Internal Service Funds</u>	
	<u>Facilities Repair & Maintenance</u>	<u>Totals</u>
Operating Revenues:		
Sales and service charges	\$ -	\$ 1,269,915
Miscellaneous	-	122,034
Total Operating Revenues	<u>-</u>	<u>1,391,949</u>
Operating Expenses:		
Services and supplies	12,168	48,069
Claims expense	-	305,483
Depreciation expense	-	201,626
Personnel and administrative	20,353	903,939
Total Operating Expenses	<u>32,521</u>	<u>1,459,117</u>
Operating Income (Loss)	<u>(32,521)</u>	<u>(67,168)</u>
Nonoperating Revenues (Expenses):		
Interest revenue	1,519	233,158
Total Nonoperating Revenues (Expenses)	<u>1,519</u>	<u>233,158</u>
Income (Loss) Before Transfers	(31,002)	165,990
Transfers in	200,000	583,526
Changes in Net Assets	168,998	749,516
Net Assets:		
Beginning of Year, as originally reported	36,469	5,128,319
Restatements	-	12,530
Beginning of Fiscal Year, as restated	<u>36,469</u>	<u>5,140,849</u>
End of Fiscal Year	<u>\$ 205,467</u>	<u>\$ 5,890,365</u>

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Funds			
	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication	Facilities Repair & Maintenance
Cash Flows from Operating Activities:				
Cash received from interfund service provided	\$ 449,289	\$ 594,550	\$ 327,535	\$ -
Cash paid to suppliers for goods and services	4,003	(500,004)	(20,661)	(156,818)
Cash paid to employees for services	(453,825)	(121,423)	(295,777)	(20,263)
Net Cash Provided (Used) by Operating Activities	(533)	(26,877)	11,097	(177,081)
Cash Flows from Non-Capital Financing Activities:				
Cash transfers in	5,527	300,000	77,999	200,000
Net Cash Provided (Used) by Non-Capital Financing Activities	5,527	300,000	77,999	200,000
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(318,807)	-	(57,746)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(318,807)	-	(57,746)	-
Cash Flows from Investing Activities:				
Interest received	74,381	128,142	29,116	1,519
Net Cash Provided (Used) by Investing Activities	74,381	128,142	29,116	1,519
Net Increase (Decrease) in Cash and Cash Equivalents	(239,432)	401,265	60,466	24,438
Cash and Cash Equivalents at Beginning of Year	1,648,276	2,585,931	625,316	191,141
Cash and Cash Equivalents at End of Year	\$ 1,408,844	\$ 2,987,196	\$ 685,782	\$ 215,579

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Governmental Activities - Internal Service Funds</u>
	<u>Totals</u>
Cash Flows from Operating Activities:	
Cash received from interfund service provided	\$ 1,371,374
Cash paid to suppliers for goods and services	(673,480)
Cash paid to employees for services	(891,288)
	<u>(193,394)</u>
Net Cash Provided (Used) by Operating Activities	(193,394)
Cash Flows from Non-Capital Financing Activities:	
Cash transfers in	583,526
	<u>583,526</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	583,526
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(376,553)
	<u>(376,553)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(376,553)
Cash Flows from Investing Activities:	
Interest received	233,158
	<u>233,158</u>
Net Cash Provided (Used) by Investing Activities	233,158
Net Increase (Decrease) in Cash and Cash Equivalents	246,737
Cash and Cash Equivalents at Beginning of Year	5,050,664
	<u>5,050,664</u>
Cash and Cash Equivalents at End of Year	\$ 5,297,401

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Governmental Activities - Internal Service Funds</u>			
	<u>Vehicle Replacement & Maintenance</u>	<u>Self-Insurance</u>	<u>Technology & Communication</u>	<u>Facilities Repair & Maintenance</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (111,538)	\$ 128,787	\$ (51,896)	\$ (32,521)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	123,678	-	77,948	-
(Increase) decrease in accounts receivable	(3,630)	-	-	-
(Increase) decrease in due from other agencies	(15,753)	(1,192)	-	-
Increase (decrease) in accounts payable	4,003	(7,328)	(20,661)	(144,650)
Increase (decrease) in accrued liabilities	1,269	597	3,187	187
Increase (decrease) in claims and judgments	-	(151,292)	-	-
Increase (decrease) in compensated absences	1,438	3,551	2,519	(97)
Total Adjustments	111,005	(155,664)	62,993	(144,560)
Net Cash Provided (Used) by Operating Activities	\$ (533)	\$ (26,877)	\$ 11,097	\$ (177,081)

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Governmental Activities - Internal Service Funds</u>
	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (67,168)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:	
Depreciation	201,626
(Increase) decrease in accounts receivable	(3,630)
(Increase) decrease in due from other agencies	(16,945)
Increase (decrease) in accounts payable	(168,636)
Increase (decrease) in accrued liabilities	5,240
Increase (decrease) in claims and judgments	(151,292)
Increase (decrease) in compensated absences	7,411
	<u> </u>
Total Adjustments	<u>(126,226)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (193,394)</u>

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
<u>Special Assessment Districts</u>				
Assets:				
Cash and investments	\$ 562,867	\$ 140,877	\$ 130,112	\$ 573,632
Total Assets	<u>\$ 562,867</u>	<u>\$ 140,877</u>	<u>\$ 130,112</u>	<u>\$ 573,632</u>
Liabilities:				
Due to bondholders	\$ 562,867	\$ 271,161	\$ 260,396	\$ 573,632
Total Liabilities	<u>\$ 562,867</u>	<u>\$ 271,161</u>	<u>\$ 260,396</u>	<u>\$ 573,632</u>