

**CITY OF IMPERIAL BEACH, CALIFORNIA**  
**FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2015**

Prepared By:  
FINANCE DEPARTMENT

CITY OF IMPERIAL BEACH, CALIFORNIA  
FINANCIAL STATEMENTS  
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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Imperial Beach, California, (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Imperial Beach, California, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

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

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



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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Lance, Soll & Lughard, LLP*

Brea California  
November 10, 2015

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# City of Imperial Beach, California

ADMINISTRATIVE SERVICES DEPARTMENT

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## Management's Discussion and Analysis

As management of the City of Imperial Beach, California (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with information found throughout the City's financial statements.

### Financial Highlights

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by **\$79,845,816** (*net position*). Of this amount, **\$21,953,410** represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.

At the close of the current fiscal year, the City's Governmental Activities (everything except the Sewer Fund) reported combined net position of **\$71,133,951**, a decrease of **\$6,876,457** in comparison with the prior year. This decrease is primarily due to the new GASB reporting requirement of the Net Pension Liability not previously reported on the financial statements. This is not a new liability; it simply was not reported in prior years. Approximately 28.5% of the net position (**\$20,284,890**) is available for spending at the government's discretion.

City of Imperial Beach  
Fund Balance and Cash Flow (FY2015)

| General Fund                    | Beg Balance          | Cash In Flows        | Cash Out Flows       | End Balance          |     |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|-----|
| Unassigned                      | \$ 5,930,999         | \$ 19,690,706        | \$ 19,191,013        | \$ 6,430,692         | 35% |
| Economic Uncertainty            | \$ 1,800,000         | \$ -                 | \$ -                 | \$ 1,800,000         | 10% |
| Strategic Capital               | \$ 3,129,588         | \$ -                 | \$ -                 | \$ 3,129,588         |     |
| Public Works                    | \$ 1,848,188         | \$ -                 | \$ -                 | \$ 1,848,188         |     |
| Public Safety Comm              | \$ 272,311           | \$ 527,689           | \$ -                 | \$ 800,000           | (A) |
| Due from Successor Agency       | \$ 2,622,885         | \$ -                 | \$ 1,146,224         | \$ 1,476,661         | (A) |
|                                 | \$ 4,793             | \$ 17,316            |                      | \$ 22,109            |     |
| <b>General Fund Net Revenue</b> | <b>\$ 15,608,764</b> | <b>\$ 18,544,482</b> | <b>\$ 18,646,008</b> | <b>\$ 15,507,238</b> | (B) |

**Notes**

(A) The City received a \$1.1M Successor Agency loan repayment, \$520K was assigned to fund the RCS and \$200K was transferred to the Housing Authority per statutes.

(B) Net Revenue is (\$101,526), however this includes a \$229,245 transfer to the Housing Authority required by law as part of the Successor Agency loan repayment.

At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned, and unassigned* components of *fund balance*) for the general fund is **\$15,507,238**. The total of the *unassigned* component is **\$6,430,692** or approximately 35% of total general fund expenditures. The General Fund net revenue for the fiscal year was (\$101,526), however this includes a \$229,245 transfer to the Housing Authority in conjunction with the Successor Agency loan repayment. Therefore, actual operating net income for the year was positive.

The fund balance of the committed Economic Uncertainty, Strategic Capital and assigned Public Works remained unchanged for the year at **\$1,800,000**, **\$3,129,588**, and **\$1,848,188**, respectively. The Regional Communication System increased by \$527,689 as directed by council to a year-end balance of **\$800,000**. This was funded from a portion of the former Redevelopment Agency loan repayment. The balance owed from this loan is **\$1,476,661**.

At the end of the current fiscal year, restricted fund balance for the Housing Authority fund is **\$569,481**. This includes the statute mandated 20% portion of the former Redevelopment Agency loan repayment in the amount of **\$229,245**.

The restricted fund balance for the 2010 Bond Fund is **\$5,348,356** which includes the most recent transfer of **\$1,274,584** from the Successor Agency Trustee to the City to fund the Alley Project as part of the Capital Improvement Plan.

**City of Imperial Beach**  
Fund Balance and Cash Flow (FY2015)

| Other Government Funds | FY2015       |               |                | FY2015           |
|------------------------|--------------|---------------|----------------|------------------|
|                        | Beg Balance  | Cash In Flows | Cash Out Flows | End Balance      |
| Housing Authority      | \$ 610,922   | \$ 249,550    | \$ 290,991     | \$ 569,481       |
| 2010 Bond Fund         | \$ 4,647,421 | \$ 1,305,889  | \$ 604,954     | \$ 5,348,356 (A) |
| Gas Tax                | \$ 2,153,883 | \$ 749,281    | \$ 1,113,748   | \$ 1,789,416     |
| Transnet               | \$ 264,248   | \$ 953,249    | \$ 893,620     | \$ 323,877       |
| Parks Maintenance      | \$ (6)       | \$ 267,675    | \$ -           | \$ 267,669       |
| Sewer                  | \$ 2,759,919 | \$ 4,332,071  | \$ 4,764,410   | \$ 2,327,580 (B) |

| Internal Service Funds | FY2015       |               |                | FY2015         |
|------------------------|--------------|---------------|----------------|----------------|
|                        | Beg Balance  | Cash In Flows | Cash Out Flows | End Balance    |
| Vehicle Replacement    | \$ 604,969   | \$ 828,069    | \$ 842,770     | \$ 590,268 (B) |
| Technology             | \$ 283,017   | \$ 477,913    | \$ 519,209     | \$ 241,721     |
| Facility Maintenance   | \$ 407,166   | \$ 141,912    | \$ 65,937      | \$ 483,141     |
| Risk Management        | \$ 1,600,085 | \$ 377,690    | \$ 573,270     | \$ 1,404,505   |

**Notes**  
(A) \$1,274,584 was moved from the Trustee to the City for the Alley Project.  
(B) Excludes Investment in Capital Assets.

The restricted fund balance for the Gas Tax, Transnet and Park Maintenance funds are **\$1,789,416**, **\$323,877** and **\$267,669**, respectively. These funds are also programmed to support the current Capital Improvement Plan as identified in the FY2016-2017 Budgets.

The unrestricted fund balance for the Sewer enterprise fund is **\$2,327,580**. The Sewer Fund Unrestricted Balance declined \$855,229, solely due to investment in Capital Projects. The Net Revenue, inclusive of the \$400K in annual CIP as modeled in the Rate Study and excluding a one-time payment of \$145K from the City of San Diego, was negative \$62,960.

The unrestricted fund balance for the internal service funds include; the Vehicle Replacement fund which is **\$590,268**, the Technology fund which is **\$241,721** the Risk Management fund which is **\$1,404,505**, and the Facilities Repair & Maintenance fund which is **\$483,141**.

For a detailed description of how the balance of the Citywide funds are programmed to support city needs, please refer to the adopted FY2016-FY2017 Budget.

## Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by **\$79,845,816** at the close of the most recent fiscal year.

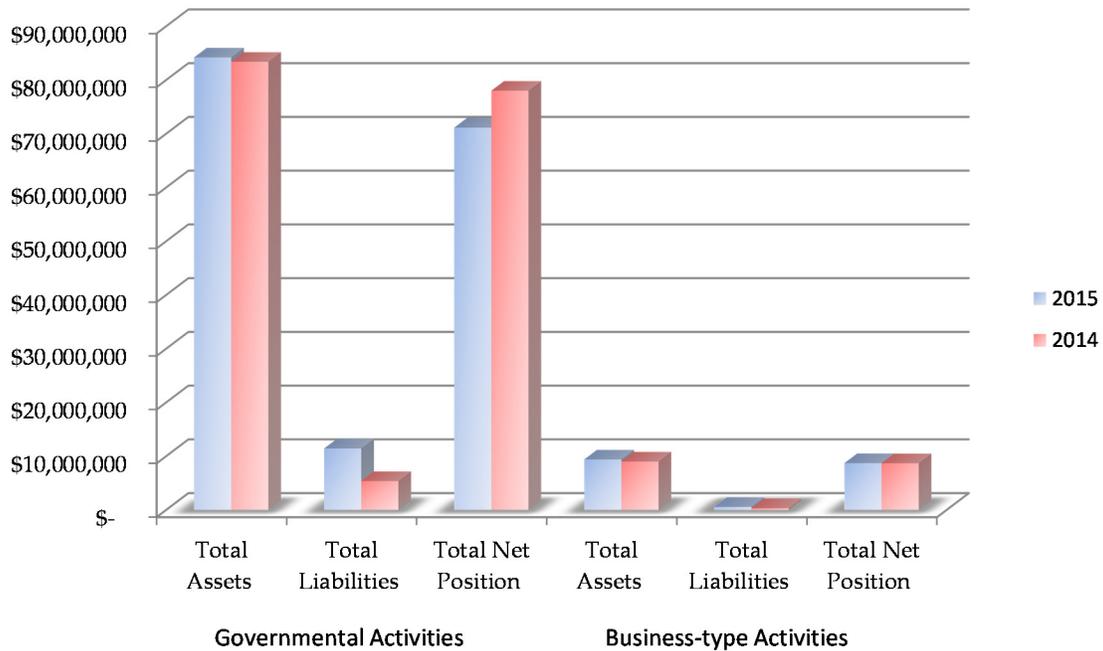
#### CITY OF IMPERIAL BEACH; Net Position

|                           | <u>Governmental Activities</u> |               | <u>Business-type Activities</u> |              | <u>Total</u>  |               |
|---------------------------|--------------------------------|---------------|---------------------------------|--------------|---------------|---------------|
|                           | 2015                           | 2014          | 2015                            | 2014         | 2015          | 2014          |
| Current and Other Assets  | \$ 41,675,230                  | \$ 40,851,522 | \$ 2,349,924                    | \$ 2,862,648 | \$ 44,025,154 | \$ 43,714,170 |
| Capital Assets            | 42,524,177                     | 42,533,566    | 7,043,345                       | 6,151,141    | 49,567,522    | 48,684,707    |
| Total Assets              | 84,199,407                     | 83,385,088    | 9,393,269                       | 9,013,789    | 93,592,676    | 92,398,877    |
| Deferred Outflows         | 859,438                        | -             | 40,597                          | -            | 900,035       | -             |
| Current Liabilities       | 3,073,523                      | 2,872,710     | 199,781                         | 259,840      | 3,273,304     | 3,132,550     |
| Long-term Liabilities     | 8,362,703                      | 2,501,970     | 381,609                         | 62,167       | 8,744,312     | 2,564,137     |
| Total Liabilities         | 11,436,226                     | 5,374,680     | 581,390                         | 322,007      | 12,017,616    | 5,696,687     |
| Deferred Inflows          | 2,488,668                      | -             | 140,611                         | -            | 2,629,279     | -             |
| Net Position:             |                                |               |                                 |              |               |               |
| Net Investment in Capital | 42,524,177                     | 42,533,566    | 7,043,345                       | 6,151,141    | 49,567,522    | 48,684,707    |
| Restricted                | 8,324,884                      | 7,952,067     | -                               | -            | 8,324,884     | 7,952,067     |
| Unrestricted              | 20,284,890                     | 27,524,775    | 1,668,520                       | 2,540,641    | 21,953,410    | 30,065,416    |
| Total Net Position        | \$ 71,133,951                  | \$ 78,010,408 | \$ 8,711,865                    | \$ 8,691,782 | \$ 79,845,816 | \$ 86,702,190 |

Just over half of the City's net position (62%) reflects investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the City's net position, **\$8,324,884** (10%) represents resources that are subject to external restrictions on how they may be used for example the Housing Authority funds, 2010 Bond Funds, Transnet, Gas Tax and the Parks Maintenance fund. The remaining balance of **\$21,953,410** (27%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

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



The City’s overall net position declined by **\$6,856,374** compared with the prior fiscal year. This decrease is primarily due to the new GASB reporting requirement of the Net Pension Liability not previously reported on the financial statements. This liability is reported at the Citywide level and is not reported to the individual funds. This is not a new liability; it simply was not reported in prior years.

**Governmental Activities.** During the current fiscal year, net position for governmental activities declined by **\$6,876,457** from the prior fiscal year for with an ending balance of **\$71,133,951**. As stated earlier, this decline is solely due to the new GASB reporting requirement of the Net Pension Liability. After removing the new GASB reporting requirement the net position for government activities increased by **\$805,269**.

## CITY OF IMPERIAL BEACH; Changes in Net Position

|                             | <u>Governmental Activities</u> |                      | <u>Business-type Activities</u> |                     | <u>Total</u>         |                      |
|-----------------------------|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
|                             | 2015                           | 2014                 | 2015                            | 2014                | 2015                 | 2014                 |
| <b>REVENUE</b>              |                                |                      |                                 |                     |                      |                      |
| Program Revenue             |                                |                      |                                 |                     |                      |                      |
| Charges for Services        | \$ 1,974,245                   | \$ 2,111,942         | \$ 4,160,676                    | \$ 4,129,946        | \$ 6,134,921         | \$ 6,241,888         |
| Operating and Grants        | 6,114,525                      | 5,403,493            | -                               | -                   | 6,114,525            | 5,403,493            |
| Capital and Grants          | 2,192,390                      | 1,971,701            | -                               | -                   | 2,192,390            | 1,971,701            |
| General Revenue             |                                |                      |                                 |                     |                      |                      |
| Property Tax                | 4,407,312                      | 4,594,215            | -                               | -                   | 4,407,312            | 4,594,215            |
| Other tax                   | 7,084,445                      | 6,799,341            | -                               | -                   | 7,084,445            | 6,799,341            |
| Other                       | -                              | -                    | 171,395                         | 32,691              | 171,395              | 32,691               |
| <b>Total Revenue</b>        | <b>21,772,917</b>              | <b>20,880,692</b>    | <b>4,332,071</b>                | <b>4,162,637</b>    | <b>26,104,988</b>    | <b>25,043,329</b>    |
| <b>EXPENSE</b>              |                                |                      |                                 |                     |                      |                      |
| General Government          | 4,045,386                      | 3,680,695            | -                               | -                   | 4,045,386            | 3,680,695            |
| Public Safety               | 11,493,533                     | 10,520,799           | -                               | -                   | 11,493,533           | 10,520,799           |
| Public Works                | 3,363,698                      | 2,875,724            | -                               | -                   | 3,363,698            | 2,875,724            |
| Community development       | 274,122                        | 613,085              | -                               | -                   | 274,122              | 613,085              |
| Sanitation                  | -                              | -                    | 3,889,098                       | 4,053,964           | 3,889,098            | 4,053,964            |
| Culture and Recreation      | 1,790,909                      | 1,821,723            | -                               | -                   | 1,790,909            | 1,821,723            |
| Interest on Debt            | -                              | -                    | -                               | -                   | -                    | -                    |
| <b>Total Expense</b>        | <b>20,967,648</b>              | <b>19,512,026</b>    | <b>3,889,098</b>                | <b>4,053,964</b>    | <b>24,856,746</b>    | <b>23,565,990</b>    |
| Restatement of Net Position | (7,681,726)                    | (2,539)              | (422,890)                       | -                   | (8,104,616)          | (2,539)              |
| Increase in net position    | (6,876,457)                    | 1,366,127            | 20,083                          | 108,673             | (6,856,374)          | 1,474,800            |
| Net position beginning      | 78,010,408                     | 76,644,281           | 8,691,782                       | 8,583,109           | 86,702,190           | 85,227,390           |
| <b>Net position ending</b>  | <b>\$ 71,133,951</b>           | <b>\$ 78,010,408</b> | <b>\$ 8,711,865</b>             | <b>\$ 8,691,782</b> | <b>\$ 79,845,816</b> | <b>\$ 86,702,190</b> |

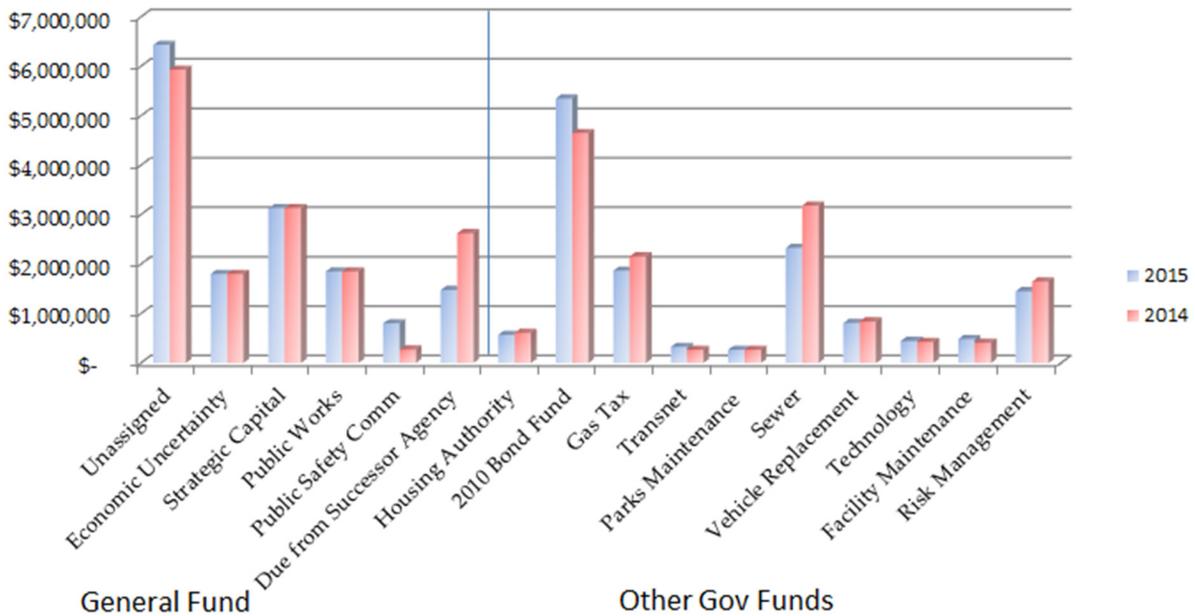
**Business-type Activities.** For the City's business-type activities, the results for the current fiscal year were positive. The overall net position increased slightly reaching an ending balance of **\$8,711,865**. The total increase in net position for business-type activities (sewer fund) was \$108,673 or 1% from the prior fiscal year.

### Financial Analysis of Governmental Funds

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

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

The City's governmental funds reported combined fund balances of **\$23,792,421**. Approximately 27% of this amount (\$6,390,991) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$1,495,065), 2) restricted for particular purposes (\$8,324,884), 3) committed for particular purposes (\$5,733,293), or 4) assigned for particular purposes (\$1,848,188).



The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,430,692, an increase of \$499,693. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately thirty-five percent (35%) of total general fund expenditures, while total fund balance represents approximately eighty-four percent (84%) of that same amount.

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

Total net position of the Sewer Fund at the end of the year was \$9,370,925. The total increase in net position was \$36,975. The unrestricted fund balance is \$2,327,580 (excluding Net Pension Liability).

## General Fund Budgetary Highlights

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

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

|                            | Final Budget         | Actual Amount        | Variance<br>Positive<br>(Negative) |
|----------------------------|----------------------|----------------------|------------------------------------|
| <b>Resources (Inflows)</b> |                      |                      |                                    |
| Taxes                      | \$ 8,566,575         | \$ 8,670,573         | \$ 103,998                         |
| Licenses and Permits       | 536,100              | 586,600              | 50,500                             |
| Intergovernmental          | 419,603              | 544,505              | 124,902                            |
| Charges for Services       | 7,309,029            | 7,243,548            | (65,481)                           |
| Use of Money and Property  | 457,000              | 421,139              | (35,861)                           |
| Fines and Foreitures       | 149,500              | 143,437              | (6,063)                            |
| Miscellaneous              | 265,000              | 137,280              | (127,720)                          |
| Transfers                  | 884,065              | 797,400              | (86,665)                           |
|                            | <b>\$ 18,586,872</b> | <b>\$ 18,544,482</b> | <b>\$ (42,390)</b>                 |
| <b>Charges (Outflows)</b>  |                      |                      |                                    |
| General Government         | \$ 3,353,694         | \$ 3,161,188         | \$ 192,506                         |
| Public Safety              | 11,452,127           | 11,352,256           | 99,871                             |
| Parks and Recreation       | 1,537,692            | 1,511,661            | 26,031                             |
| Public Works               | 2,291,398            | 2,188,370            | 103,028                            |
| Capital Outlay             | 150,783              | 178,286              | (27,503)                           |
| Transfers Out              | 229,245              | 254,247              | (25,002)                           |
|                            | <b>\$ 19,014,939</b> | <b>\$ 18,646,008</b> | <b>\$ 368,931</b>                  |

There wasn't any significant variance from budget in Total Revenue. The amount collected in taxes, License and Permits, and Intergovernmental were slightly over budget. The remaining categories came in slightly below budget and offset one-another.

The favorable variance in outflows is primarily due to a conservative spending budget and strict fiscal control. However, it should be noted that the budgeted expenditures exceeded budgeted revenue. Therefore, the positive expenditure variance resulted in a General Fund Net Revenue of (\$101,526). However, this includes a \$229,245 transfer to the Housing Authority required by law as part of the Successor Agency loan repayment.

## Capital Assets and Debt Administration

**Capital assets.** The City's net investment in capital assets for its governmental and business-type activities amounts to **\$49,567,522** (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the sewer system. The total increase in capital assets for the current fiscal year was \$882,815.

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

|                          | <u>Governmental Activities</u> |                      | <u>Business-type Activities</u> |                     | <u>Total</u>         |                      |
|--------------------------|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
|                          | 2015                           | 2014                 | 2015                            | 2014                | 2015                 | 2014                 |
| Land                     | \$ 1,638,532                   | \$ 1,638,532         | \$ -                            | \$ -                | \$ 1,638,532         | \$ 1,638,532         |
| Right of Way             | 12,406,327                     | 12,406,327           | -                               | -                   | 12,406,327           | 12,406,327           |
| Construction in Progress | 1,704,822                      | 4,213,937            | 1,176,206                       | 826,591             | 2,881,028            | 5,040,528            |
| Structures               | 4,103,634                      | 4,356,788            | -                               | -                   | 4,103,634            | 4,356,788            |
| Equipment and Vehicles   | 1,460,285                      | 1,508,346            | -                               | -                   | 1,460,285            | 1,508,346            |
| Infrastrucutre           | 21,210,577                     | 18,409,636           | -                               | -                   | 21,210,577           | 18,409,636           |
| Sewer System             | -                              | -                    | 5,867,139                       | 5,324,550           | 5,867,139            | 5,324,550            |
|                          | <b>\$ 42,524,177</b>           | <b>\$ 42,533,566</b> | <b>\$ 7,043,345</b>             | <b>\$ 6,151,141</b> | <b>\$ 49,567,522</b> | <b>\$ 48,684,707</b> |

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

The Successor Agency of the former RDA, which is a legally separate agency had outstanding long term debt totaling \$38,112,735 at the end of the fiscal year. In addition, the Successor Agency has a loan due to the City in the amount of \$1,476,661.

### City of Imperial Beach; Long-term liabilities

|                                    | <u>Governmental Activities</u> |                     | <u>Business-type Activities</u> |                  | <u>Total</u>        |                     |
|------------------------------------|--------------------------------|---------------------|---------------------------------|------------------|---------------------|---------------------|
|                                    | 2015                           | 2014                | 2015                            | 2014             | 2015                | 2014                |
| Other Post Employment Benefits     | \$ 142,294                     | \$ 127,108          | \$ -                            | \$ -             | \$ 142,294          | \$ 127,108          |
| Net Pension Liability <sup>1</sup> | 5,876,009                      | -                   | 318,116                         | -                | 6,194,125           | -                   |
| Compensated Absences               | 810,013                        | 777,688             | 63,493                          | 62,167           | 873,506             | 839,855             |
| Claims & Judgments                 | 1,534,387                      | 1,597,174           | -                               | -                | 1,534,387           | 1,597,174           |
|                                    | <b>\$ 8,362,703</b>            | <b>\$ 2,501,970</b> | <b>\$ 381,609</b>               | <b>\$ 62,167</b> | <b>\$ 8,744,312</b> | <b>\$ 2,564,137</b> |

Note: (1) Net Pension Liability not reported in 2014. This is a new GASB requirement.

The City's total long-term liabilities increased by \$6,180,175, primarily due to the new GASB reporting requirement of the Net Pension Liability.

## Requests for Information

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

CITY OF IMPERIAL BEACH

STATEMENT OF NET POSITION  
JUNE 30, 2015

|   | Primary Government      |                          |                      |
|---|-------------------------|--------------------------|----------------------|
|   | Governmental Activities | Business-Type Activities | Total                |
| <b>Assets:</b>                              |                         |                          |                      |
| Cash and investments                        | \$ 27,788,520           | \$ 2,833,593             | \$ 30,622,113        |
| Receivables:                                |                         |                          |                      |
| Accounts                                    | 886,869                 | 10,483                   | 897,352              |
| Notes and loans                             | 8,995,159               | -                        | 8,995,159            |
| Internal balances                           | 659,060                 | (659,060)                | -                    |
| Prepaid costs                               | 17,063                  | -                        | 17,063               |
| Due from other governments                  | 1,799,861               | 164,908                  | 1,964,769            |
| Inventories                                 | 1,341                   | -                        | 1,341                |
| Restricted assets:                          |                         |                          |                      |
| Cash and investments                        | 50,696                  | -                        | 50,696               |
| Due from Successor Agency                   | 1,476,661               | -                        | 1,476,661            |
| Capital assets not being depreciated        | 15,749,681              | 1,176,206                | 16,925,887           |
| Capital assets, net of depreciation         | 26,774,496              | 5,867,139                | 32,641,635           |
| <b>Total Assets</b>                         | <b>84,199,407</b>       | <b>9,393,269</b>         | <b>93,592,676</b>    |
| <b>Deferred Outflows of Resources:</b>      |                         |                          |                      |
| Deferred pension related items              | 859,438                 | 40,597                   | 900,035              |
| <b>Total Deferred Outflows of Resources</b> | <b>859,438</b>          | <b>40,597</b>            | <b>900,035</b>       |
| <b>Liabilities:</b>                         |                         |                          |                      |
| Accounts payable                            | 1,674,804               | 177,104                  | 1,851,908            |
| Accrued liabilities                         | 573,038                 | 22,677                   | 595,715              |
| Unearned revenue                            | 480,529                 | -                        | 480,529              |
| Deposits payable                            | 345,152                 | -                        | 345,152              |
| Noncurrent liabilities:                     |                         |                          |                      |
| OPEB Obligation                             | 142,294                 | -                        | 142,294              |
| Net Pension Liability                       | 5,876,009               | 318,116                  | 6,194,125            |
| Due within one year                         | 957,740                 | 15,803                   | 973,543              |
| Due in more than one year                   | 1,386,660               | 47,690                   | 1,434,350            |
| <b>Total Liabilities</b>                    | <b>11,436,226</b>       | <b>581,390</b>           | <b>12,017,616</b>    |
| <b>Deferred Inflows of Resources:</b>       |                         |                          |                      |
| Deferred pension related items              | 2,488,668               | 140,611                  | 2,629,279            |
| <b>Total Deferred Inflows of Resources</b>  | <b>2,488,668</b>        | <b>140,611</b>           | <b>2,629,279</b>     |
| <b>Net Position:</b>                        |                         |                          |                      |
| Investment in capital assets                | 42,524,177              | 7,043,345                | 49,567,522           |
| Restricted for:                             |                         |                          |                      |
| Community development projects              | 5,917,837               | -                        | 5,917,837            |
| Public safety                               | 25,994                  | -                        | 25,994               |
| Parks and recreation                        | 267,760                 | -                        | 267,760              |
| Public works                                | 2,113,293               | -                        | 2,113,293            |
| Unrestricted                                | 20,284,890              | 1,668,520                | 21,953,410           |
| <b>Total Net Position</b>                   | <b>\$ 71,133,951</b>    | <b>\$ 8,711,865</b>      | <b>\$ 79,845,816</b> |

CITY OF IMPERIAL BEACH

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

|                                       | <u>Expenses</u>      | <u>Program Revenues</u>     |   |   |
|---------------------------------------|----------------------|-----------------------------|---|---|
|                                       |                      | <u>Charges for Services</u> | <u>Operating Contributions and Grants</u> | <u>Capital Contributions and Grants</u> |
| <b>Functions/Programs</b>             |                      |                             |   |   |
| <b>Primary Government:</b>            |                      |                             |   |   |
| Governmental Activities:              |                      |                             |   |   |
| General government                    | \$ 4,045,386         | \$ 613,600                  | \$ 87,890                                 | \$ -                                    |
| Public safety                         | 11,493,533           | 625,293                     | 4,515,507                                 | -                                       |
| Community development                 | 274,122              | -                           | 1,274,584                                 | -                                       |
| Parks, recreation and senior center   | 1,790,909            | 51,835                      | -   | -                                       |
| Public works                          | 3,363,698            | 683,517                     | 236,544                                   | 2,192,390                               |
| <b>Total Governmental Activities</b>  | <b>20,967,648</b>    | <b>1,974,245</b>            | <b>6,114,525</b>                          | <b>2,192,390</b>                        |
| Business-Type Activities:             |                      |                             |   |   |
| Sewer                                 | 3,889,098            | 4,160,676                   | -   | -                                       |
| <b>Total Business-Type Activities</b> | <b>3,889,098</b>     | <b>4,160,676</b>            | <b>-</b>                                  | <b>-</b>                                |
| <b>Total Primary Government</b>       | <b>\$ 24,856,746</b> | <b>\$ 6,134,921</b>         | <b>\$ 6,114,525</b>                       | <b>\$ 2,192,390</b>                     |

**General Revenues:**

Taxes:

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

**Total General Revenues**

Change in Net Position

Net Position at Beginning of Year, as previously stated

Restatement of Net Position

Net Position at Beginning of Year, as restated

**Net Position at End of Year**

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

**Primary Government**

| <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>         |
|------------------------------------|-------------------------------------|----------------------|
| \$ (3,343,896)                     | \$ -                                | \$ (3,343,896)       |
| (6,352,733)                        | -                                   | (6,352,733)          |
| 1,000,462                          | -                                   | 1,000,462            |
| (1,739,074)                        | -                                   | (1,739,074)          |
| (251,247)                          | -                                   | (251,247)            |
| <b>(10,686,488)</b>                | <b>-</b>                            | <b>(10,686,488)</b>  |
| -                                  | 271,578                             | 271,578              |
| -                                  | <b>271,578</b>                      | <b>271,578</b>       |
| <b>(10,686,488)</b>                | <b>271,578</b>                      | <b>(10,414,910)</b>  |
| 4,407,312                          | -                                   | 4,407,312            |
| 639,983                            | -                                   | 639,983              |
| 1,704,968                          | -                                   | 1,704,968            |
| 1,927,792                          | -                                   | 1,927,792            |
| 376,104                            | -                                   | 376,104              |
| 1,337,508                          | -                                   | 1,337,508            |
| 11,753                             | -                                   | 11,753               |
| 949,057                            | 16,814                              | 965,871              |
| 137,280                            | 154,581                             | 291,861              |
| <b>11,491,757</b>                  | <b>171,395</b>                      | <b>11,663,152</b>    |
| 805,269                            | 442,973                             | 1,248,242            |
| 78,010,408                         | 8,691,782                           | 86,702,190           |
| (7,681,726)                        | (422,890)                           | (8,104,616)          |
| 70,328,682                         | 8,268,892                           | 78,597,574           |
| <b>\$ 71,133,951</b>               | <b>\$ 8,711,865</b>                 | <b>\$ 79,845,816</b> |

CITY OF IMPERIAL BEACH

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

|  |                             | <u>Special<br/>Revenue Fund</u> | <u>Capital<br/>Projects Fund</u> |
|--|-----------------------------|---------------------------------|----------------------------------|
|  | <u>General</u>              | <u>Housing<br/>Authority</u>    | <u>C.I.P. 2010<br/>Bond</u>      |
| <b>Assets:</b>   |                             |                                 |                                  |
| Pooled cash and investments  | \$ 14,535,963               | \$ 522,369                      | \$ 5,367,397                     |
| Receivables:   |                             |                                 |                                  |
| Accounts   | 886,869                     | -                               | -                                |
| Notes and loans  | -                           | 8,995,159                       | -                                |
| Prepaid costs  | 17,063                      | -                               | -                                |
| Due from other governments   | 1,567,529                   | -                               | -                                |
| Due from other funds   | 183,594                     | -                               | -                                |
| Inventories  | 1,341                       | -                               | -                                |
| Restricted assets:   |                             |                                 |                                  |
| Cash and investments   | -                           | 50,696                          | -                                |
| Due from Successor Agency  | 1,476,661                   | -                               | -                                |
| <b>Total Assets</b>  | <b><u>\$ 18,669,020</u></b> | <b><u>\$ 9,568,224</u></b>      | <b><u>\$ 5,367,397</u></b>       |
| <b>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances:</b>      |                             |                                 |                                  |
| <b>Liabilities:</b>  |                             |                                 |                                  |
| Accounts payable   | \$ 1,443,718                | \$ 743                          | \$ 18,776                        |
| Accrued liabilities  | 517,498                     | 2,841                           | 265                              |
| Unearned revenues  | 480,529                     | -                               | -                                |
| Deposits payable   | 345,152                     | -                               | -                                |
| Due to other funds   | -                           | -                               | -                                |
| <b>Total Liabilities</b>   | <b><u>2,786,897</u></b>     | <b><u>3,584</u></b>             | <b><u>19,041</u></b>             |
| <b>Deferred Inflows of Resources:</b>  |                             |                                 |                                  |
| Unavailable revenues   | 374,885                     | 8,995,159                       | -                                |
| <b>Total Deferred Inflows of Resources</b>                                     | <b><u>374,885</u></b>       | <b><u>8,995,159</u></b>         | <b><u>-</u></b>                  |
| <b>Fund Balances:</b>  |                             |                                 |                                  |
| <b>Nonspendable:</b>   |                             |                                 |                                  |
| Inventory  | 1,341                       | -                               | -                                |
| Prepaid costs  | 17,063                      | -                               | -                                |
| Due from Successor Agency  | 1,476,661                   | -                               | -                                |
| <b>Restricted for:</b>   |                             |                                 |                                  |
| Community development projects   | -                           | 569,481                         | 5,348,356                        |
| Public safety  | -                           | -                               | -                                |
| Parks and recreation   | -                           | -                               | -                                |
| Public works   | -                           | -                               | -                                |
| <b>Committed to:</b>   |                             |                                 |                                  |
| Community development projects   | 3,705                       | -                               | -                                |
| Economic Uncertainty Reserve   | 1,800,000                   | -                               | -                                |
| Strategic Capital Reserve  | 3,129,588                   | -                               | -                                |
| Regional Communication System  | 800,000                     | -                               | -                                |
| <b>Assigned to:</b>  |                             |                                 |                                  |
| Public works   | 1,848,188                   | -                               | -                                |
| <b>Unassigned</b>  | <b><u>6,430,692</u></b>     | <b><u>-</u></b>                 | <b><u>-</u></b>                  |
| <b>Total Fund Balances</b>   | <b><u>15,507,238</u></b>    | <b><u>569,481</u></b>           | <b><u>5,348,356</u></b>          |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</b> | <b><u>\$ 18,669,020</u></b> | <b><u>\$ 9,568,224</u></b>      | <b><u>\$ 5,367,397</u></b>       |

CITY OF IMPERIAL BEACH

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

|  | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---|---|
| <b>Assets:</b>   |   |   |
| Pooled cash and investments  | \$ 2,438,880                            | \$ 22,864,609                           |
| Receivables:   |   |   |
| Accounts   | -                                       | 886,869                                 |
| Notes and loans  | -                                       | 8,995,159                               |
| Prepaid costs  | -                                       | 17,063                                  |
| Due from other governments   | 211,431                                 | 1,778,960                               |
| Due from other funds   | -                                       | 183,594                                 |
| Inventories  | -                                       | 1,341                                   |
| Restricted assets:   |   |   |
| Cash and investments   | -                                       | 50,696                                  |
| Due from Successor Agency  | -                                       | 1,476,661                               |
| <b>Total Assets</b>  | <b>\$ 2,650,311</b>                     | <b>\$ 36,254,952</b>                    |
| <b>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances:</b>      |   |   |
| <b>Liabilities:</b>  |   |   |
| Accounts payable   | \$ 95,396                               | \$ 1,558,633                            |
| Accrued liabilities  | 3,975                                   | 524,579                                 |
| Unearned revenues  | -                                       | 480,529                                 |
| Deposits payable   | -                                       | 345,152                                 |
| Due to other funds   | 183,594                                 | 183,594                                 |
| <b>Total Liabilities</b>   | <b>282,965</b>                          | <b>3,092,487</b>                        |
| <b>Deferred Inflows of Resources:</b>  |   |   |
| Unavailable revenues   | -                                       | 9,370,044                               |
| <b>Total Deferred Inflows of Resources</b>                                     | <b>-</b>                                | <b>9,370,044</b>                        |
| <b>Fund Balances:</b>  |   |   |
| <b>Nonspendable:</b>   |   |   |
| Inventory  | -                                       | 1,341                                   |
| Prepaid costs  | -                                       | 17,063                                  |
| Due from Successor Agency  | -                                       | 1,476,661                               |
| <b>Restricted for:</b>   |   |   |
| Community development projects   | -                                       | 5,917,837                               |
| Public safety  | 25,994                                  | 25,994                                  |
| Parks and recreation   | 267,760                                 | 267,760                                 |
| Public works   | 2,113,293                               | 2,113,293                               |
| <b>Committed to:</b>   |   |   |
| Community development projects   | -                                       | 3,705                                   |
| Economic Uncertainty Reserve   | -                                       | 1,800,000                               |
| Strategic Capital Reserve  | -                                       | 3,129,588                               |
| Regional Communication System  | -                                       | 800,000                                 |
| <b>Assigned to:</b>  |   |   |
| Public works   | -                                       | 1,848,188                               |
| <b>Unassigned</b>  | <b>(39,701)</b>                         | <b>6,390,991</b>                        |
| <b>Total Fund Balances</b>   | <b>2,367,346</b>                        | <b>23,792,421</b>                       |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</b> | <b>\$ 2,650,311</b>                     | <b>\$ 36,254,952</b>                    |

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**CITY OF IMPERIAL BEACH**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

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|   |                             |
|---|-----------------------------|
| Fund balances of governmental funds   | \$ 23,792,421               |
| Amounts reported for governmental activities in the statement of net position are different because:  |                             |
| Capital assets net of depreciation have not been included as financial resources in governmental fund activity.   | 41,242,031                  |
| Long-term debt, Net Pension Liability, and compensated absences that have not been included in the governmental fund activity:  |                             |
| Net Pension Liability   | (5,522,545)                 |
| Compensated Absences  | (748,443)                   |
| Deferred Outflows of Resources:   |                             |
| Adjustment due to differences in proportions  | 134,654                     |
| Pension contribution subsequent to measurement date   | 679,676                     |
| Deferred Inflows of Resources:  |                             |
| Net Difference between projected and actual earnings on pension plan investments  | (2,063,933)                 |
| Adjustment due to differences in proportions  | (34,037)                    |
| Unamortized difference between employer contribution and the plans proportionate share of aggregate employer contributions  | (234,464)                   |
| Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.                    | (142,294)                   |
| Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.   | 9,370,044                   |
| Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position. | 4,660,841                   |
| <b>Net Position of governmental activities</b>  | <b><u>\$ 71,133,951</u></b> |

CITY OF IMPERIAL BEACH

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015**

|  | <u>General</u>       | <u>Special<br/>Revenue Fund</u> | <u>Capital Projects<br/>Fund</u> |
|--|----------------------|---------------------------------|----------------------------------|
|  |                      | <u>Housing<br/>Authority</u>    | <u>C.I.P. 2010<br/>Bond</u>      |
| <b>Revenues:</b>   |                      |                                 |                                  |
| Taxes  | \$ 8,670,573         | \$ -                            | \$ -                             |
| Assessments  | -                    | -                               | -                                |
| Licenses and permits   | 586,600              | -                               | -                                |
| Intergovernmental  | 544,505              | -                               | -                                |
| Charges for services   | 7,243,548            | -                               | -                                |
| Use of money and property                                    | 421,139              | 3,436                           | 31,305                           |
| Fines and forfeitures  | 143,437              | -                               | -                                |
| Contributions from Successor Agency                          | -                    | -                               | 1,274,584                        |
| Miscellaneous  | 137,280              | -                               | -                                |
| <b>Total Revenues</b>  | <b>17,747,082</b>    | <b>3,436</b>                    | <b>1,305,889</b>                 |
| <b>Expenditures:</b>   |                      |                                 |                                  |
| Current:   |                      |                                 |                                  |
| General government   | 3,161,188            | -                               | 62,300                           |
| Public safety  | 11,352,256           | -                               | -                                |
| Community development  | -                    | 274,122                         | -                                |
| Parks and recreation   | 1,511,661            | -                               | -                                |
| Public works   | 2,188,370            | -                               | -                                |
| Capital outlay   | 178,286              | -                               | 542,654                          |
| <b>Total Expenditures</b>                                    | <b>18,391,761</b>    | <b>274,122</b>                  | <b>604,954</b>                   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (644,679)            | (270,686)                       | 700,935                          |
| <b>Other Financing Sources (Uses):</b>                       |                      |                                 |                                  |
| Transfers in   | 797,400              | 246,114                         | -                                |
| Transfers out  | (254,247)            | (16,869)                        | -                                |
| <b>Total Other Financing Sources<br/>(Uses)</b>              | <b>543,153</b>       | <b>229,245</b>                  | <b>-</b>                         |
| Net Change in Fund Balances                                  | (101,526)            | (41,441)                        | 700,935                          |
| Fund Balances, Beginning of Year                             | 15,608,764           | 610,922                         | 4,647,421                        |
| <b>Fund Balances, End of Year</b>                            | <b>\$ 15,507,238</b> | <b>\$ 569,481</b>               | <b>\$ 5,348,356</b>              |

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

|  | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------------------------|--------------------------------|
| <b>Revenues:</b>   |                                |                                |
| Taxes  | \$ -                           | \$ 8,670,573                   |
| Assessments  | 10,996                         | 10,996                         |
| Licenses and permits   | -                              | 586,600                        |
| Intergovernmental  | 2,083,662                      | 2,628,167                      |
| Charges for services   | 67,569                         | 7,311,117                      |
| Use of money and property                                    | 17,965                         | 473,845                        |
| Fines and forfeitures  | -                              | 143,437                        |
| Contributions from Successor Agency                          | -                              | 1,274,584                      |
| Miscellaneous  | -                              | 137,280                        |
| <b>Total Revenues</b>  | <b>2,180,192</b>               | <b>21,236,599</b>              |
| <b>Expenditures:</b>   |                                |                                |
| Current:   |                                |                                |
| General government   | 728,669                        | 3,952,157                      |
| Public safety  | 100,020                        | 11,452,276                     |
| Community development  | -                              | 274,122                        |
| Parks and recreation   | 27,506                         | 1,539,167                      |
| Public works   | 30,262                         | 2,218,632                      |
| Capital outlay   | 789,525                        | 1,510,465                      |
| <b>Total Expenditures</b>                                    | <b>1,675,982</b>               | <b>20,946,819</b>              |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 504,210                        | 289,780                        |
| <b>Other Financing Sources (Uses):</b>                       |                                |                                |
| Transfers in   | 286,433                        | 1,329,947                      |
| Transfers out  | (1,058,831)                    | (1,329,947)                    |
| <b>Total Other Financing Sources<br/>(Uses)</b>              | <b>(772,398)</b>               | <b>-</b>                       |
| Net Change in Fund Balances                                  | (268,188)                      | 289,780                        |
| Fund Balances, Beginning of Year                             | 2,635,534                      | 23,502,641                     |
| <b>Fund Balances, End of Year</b>                            | <b>\$ 2,367,346</b>            | <b>\$ 23,792,421</b>           |

**CITY OF IMPERIAL BEACH**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

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Net change in fund balances - total governmental funds \$ 289,780

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

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

|                |                    |          |
|----------------|--------------------|----------|
| Capital outlay | \$ 1,373,130       |          |
| Depreciation   | <u>(1,384,235)</u> | (11,105) |

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. (24,332)

Annual required contributions to pension obligations require the use of current financial resources and, therefore, are not reported as expenses in governmental Statement of Activities. However, in the statement of activities only pension expense as a result in the change in the Net Pension Liability is recorded. 171,199

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense. (15,186)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 504,713

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. (109,800)

**Change in net position of governmental activities \$ 805,269**

CITY OF IMPERIAL BEACH

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2015

|   | Enterprise<br>Fund  | Governmental<br>Activities-<br>Internal<br>Service Funds |
|---|---------------------|--|
|   | Sewer               |  |
| <b>Assets:</b>  |                     |  |
| Current:  |                     |  |
| Cash and investments  | \$ 2,833,593        | \$ 4,923,911   |
| Receivables:  |                     |  |
| Accounts  | 10,483              | -  |
| Due from other governments  | 164,908             | 20,901   |
| <b>Total Current Assets</b>   | <b>3,008,984</b>    | <b>4,944,812</b>   |
| Noncurrent:   |                     |  |
| Capital assets not being depreciated  | 1,176,206           | -  |
| Capital assets - net of accumulated depreciation  | 5,867,139           | 1,282,146  |
| <b>Total Noncurrent Assets</b>  | <b>7,043,345</b>    | <b>1,282,146</b>   |
| <b>Total Assets</b>   | <b>10,052,329</b>   | <b>6,226,958</b>   |
| <b>Deferred Outflows of Resources:</b>  |                     |  |
| Deferred pension related items  | 40,597              | 45,108   |
| <b>Total Deferred Outflows of Resources</b>   | <b>40,597</b>       | <b>45,108</b>  |
| <b>Liabilities:</b>   |                     |  |
| Current:  |                     |  |
| Accounts payable  | 177,104             | 116,171  |
| Accrued liabilities   | 22,677              | 48,459   |
| Accrued compensated absences  | 15,803              | 28,837   |
| Accrued claims and judgments  | -                   | 717,929  |
| <b>Total Current Liabilities</b>  | <b>215,584</b>      | <b>911,396</b>   |
| Noncurrent:   |                     |  |
| Net pension liability   | 318,116             | 353,464  |
| Accrued compensated absences  | 47,690              | 32,733   |
| Accrued claims and judgments  | -                   | 816,458  |
| <b>Total Noncurrent Liabilities</b>   | <b>365,806</b>      | <b>1,202,655</b>   |
| <b>Total Liabilities</b>  | <b>581,390</b>      | <b>2,114,051</b>   |
| <b>Deferred Inflows of Resources:</b>   |                     |  |
| Deferred pension related items  | 140,611             | 156,234  |
| <b>Total Deferred Inflows of Resources</b>  | <b>140,611</b>      | <b>156,234</b>   |
| <b>Net Position:</b>  |                     |  |
| Investment in capital assets  | 7,043,345           | 1,282,146  |
| Unrestricted  | 2,327,580           | 2,719,635  |
| <b>Total Net Position</b>   | <b>\$ 9,370,925</b> | <b>\$ 4,001,781</b>                                      |
| <b>Reconciliation of Net Position to the Statement of Net Position</b>  |                     |  |
| Net Position per Statement of Net Position - Proprietary Funds  | \$ 9,370,925        |  |
| Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds | (642,168)           |  |
| Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds                    | (16,892)            |  |
| <b>Net Position per Statement of Net Position</b>   | <b>\$ 8,711,865</b> |  |

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

|   | Enterprise<br>Fund  | Governmental<br>Activities-<br>Internal<br>Service Funds |
|---|---------------------|--|
|   | Sewer               |  |
| <b>Operating Revenues:</b>  |                     |  |
| Sales and service charges   | \$ 4,160,676        | \$ 1,556,400   |
| Miscellaneous   | 154,581             | 237,579  |
| <b>Total Operating Revenues</b>   | <b>4,315,257</b>    | <b>1,793,979</b>   |
| <b>Operating Expenses:</b>  |                     |  |
| Source of supply  | 3,240,681           | 1,017,268  |
| Claims expense  | -                   | 28,406   |
| Depreciation expense  | 204,928             | 241,441  |
| Personnel and Administrative  | 426,597             | 654,256  |
| <b>Total Operating Expenses</b>   | <b>3,872,206</b>    | <b>1,941,371</b>   |
| Operating Gain (Loss)   | 443,051             | (147,392)  |
| <b>Nonoperating Revenues:</b>   |                     |  |
| Interest revenue  | 16,814              | 31,605   |
| Loss on disposal of capital asset   | -                   | (10,905)   |
| <b>Total Nonoperating<br/>Revenues (Expenses)</b>   | <b>16,814</b>       | <b>20,700</b>  |
| Changes in Net Position   | 459,865             | (126,692)  |
| <b>Net Position:</b>  |                     |  |
| Beginning of Year, as<br>previously reported  | 9,333,950           | 4,598,351  |
| Restatements  | (422,890)           | (469,878)  |
| Beginning of Fiscal Year, as restated   | 8,911,060           | 4,128,473  |
| <b>End of Fiscal Year</b>   | <b>\$ 9,370,925</b> | <b>\$ 4,001,781</b>                                      |
| <b>Reconciliation of Changes in Net Position to the Statement of Activities:</b>  |                     |  |
| Changes in Net Position, per the Statement of Revenues,<br>Expenses and Changes in Fund Net Position - Proprietary Funds        | \$ 459,865          |  |
| Adjustment to reflect the consolidation of current fiscal year<br>internal service funds activities related to enterprise funds | (16,892)            |  |
| <b>Changes in Net Position of Business-Type Activities per Statement of Activities</b>  | <b>\$ 442,973</b>   |  |

CITY OF IMPERIAL BEACH

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2015

|   | Enterprise<br>Fund  | Governmental<br>Activities-<br>Internal<br>Service Funds |
|---|---------------------|--|
|   | Sewer               |  |
| <b>Cash Flows from Operating Activities:</b>  |                     |  |
| Cash received from customers and users  | \$ 4,306,226        | \$ -   |
| Cash received from/(paid to) interfund service provided   | -                   | 1,798,193  |
| Cash paid to suppliers for goods and services   | (3,115,373)         | (1,109,278)  |
| Cash paid to employees for services   | (428,182)           | (549,771)  |
| <b>Net Cash Provided by Operating Activities</b>  | <b>762,671</b>      | <b>139,144</b>   |
| <b>Cash Flows from Non-Capital<br/>Financing Activities:</b>  |                     |  |
| Advance from other funds  | (187,216)           | -  |
| <b>Net Cash Provided by<br/>Non-Capital Financing Activities</b>  | <b>(187,216)</b>    | <b>-</b>   |
| <b>Cash Flows from Capital<br/>and Related Financing Activities:</b>  |                     |  |
| Acquisition and construction of capital assets  | (1,097,132)         | (254,062)  |
| <b>Net Cash Used in<br/>Capital and Related Financing Activities</b>  | <b>(1,097,132)</b>  | <b>(254,062)</b>   |
| <b>Cash Flows from Investing Activities:</b>  |                     |  |
| Interest received   | 16,814              | 31,605   |
| <b>Net Cash Provided by<br/>Investing Activities</b>  | <b>16,814</b>       | <b>31,605</b>  |
| <b>Net Increase (Decrease) in Cash<br/>and Cash Equivalents</b>   | <b>(504,863)</b>    | <b>(83,313)</b>  |
| Cash and Cash Equivalents at Beginning of Year  | 3,338,456           | 5,007,224  |
| <b>Cash and Cash Equivalents at End of Year</b>   | <b>\$ 2,833,593</b> | <b>\$ 4,923,911</b>                                      |
| <b>Reconciliation of Operating Income to Net Cash<br/>Provided (Used) by Operating Activities:</b>            |                     |  |
| Operating loss  | \$ 443,051          | \$ (147,392)   |
| <b>Adjustments to reconcile operating income (loss)<br/>net cash provided (used) by operating activities:</b> |                     |  |
| Depreciation  | 204,928             | 241,441  |
| (Increase) decrease in accounts receivable  | (9,421)             | -  |
| (Increase) decrease in due from other governments   | 390                 | 4,214  |
| Increase (decrease) in accounts payable   | 125,308             | 86,814   |
| Increase (decrease) in accrued liabilities  | 1,849               | -  |
| Increase (decrease) in deposits payable   | -                   | 14,149   |
| Increase (decrease) in claims and judgments   | -                   | (62,787)   |
| Increase (decrease) in salaries and benefits payable  | (3,434)             | 2,705  |
| <b>Total Adjustments</b>  | <b>319,620</b>      | <b>286,536</b>   |
| <b>Net Cash Provided (Used) by<br/>Operating Activities</b>   | <b>\$ 762,671</b>   | <b>\$ 139,144</b>  |

CITY OF IMPERIAL BEACH

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2015

|   | <u>Agency<br/>Funds</u>  | <u>Private-<br/>Purpose Trust<br/>Fund<br/>Successor<br/>Agency of the<br/>Former RDA</u> |
|---|--------------------------|---|
| <b>Assets:</b>                          |                          |   |
| Pooled cash and investments             | \$ 390,452               | \$ 1,179,341  |
| Land held for resale                    | -                        | 17,048,281  |
| Restricted assets:                      |                          |   |
| Cash and investments with fiscal agents | -                        | 2,835,565   |
| <b>Total Assets</b>                     | <b><u>\$ 390,452</u></b> | <b><u>21,063,187</u></b>  |
| <b>Liabilities:</b>                     |                          |   |
| Accounts payable                        | \$ -                     | 17,103  |
| Accrued liabilities                     | -                        | 29  |
| Accrued interest                        | -                        | 152,044   |
| Due to bondholders                      | 390,452                  | -   |
| Due to City                             | -                        | 1,476,661   |
| Long-term liabilities:                  |                          |   |
| Due in one year                         | -                        | 245,000   |
| Due in more than one year               | -                        | 37,858,621  |
| <b>Total Liabilities</b>                | <b><u>\$ 390,452</u></b> | <b><u>39,749,458</u></b>  |
| <b>Net Position:</b>                    |                          |   |
| Held in trust for other purposes        |                          | (18,686,271)  |
| <b>Total Net Position</b>               |                          | <b><u>\$ (18,686,271)</u></b>   |

CITY OF IMPERIAL BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2015

|  | <u>Private-<br/>Purpose Trust<br/>Fund<br/>Successor<br/>Agency of the<br/>Former RDA</u> |
|--|---|
| <b>Additions:</b>                                |   |
| Taxes  | \$ 3,650,680  |
| Interest and change in fair value of investments | 13,991  |
| Miscellaneous                                    | <u>8</u>  |
| <b>Total Additions</b>                           | <b><u>3,664,679</u></b>   |
| <b>Deductions:</b>                               |   |
| Project Costs                                    | 139,922   |
| Administrative expenses                          | 161,207   |
| Contractual services                             | 1,381,231   |
| Interest expense                                 | <u>1,821,673</u>  |
| <b>Total Deductions</b>                          | <b><u>3,504,033</u></b>   |
| <b>Changes in Net Position</b>                   | <b>160,646</b>  |
| Net Position - Beginning of the Year             | <u>(18,846,917)</u>   |
| <b>Net Position - End of the Year</b>            | <b><u>\$ (18,686,271)</u></b>   |

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**I. SIGNIFICANT ACCOUNTING POLICIES**

**Note 1: Summary of Significant Accounting Policies**

**a. Description of the Reporting Entity**

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

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

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, component units' balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. A description of these component units and the method of incorporating their financial information in the accompanying financial statements are summarized as follows:

Blended Component Units

Imperial Beach Public Financing Authority

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

Imperial Beach Housing Authority

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

**b. Government-Wide and Fund Financial Statements**

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented.

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

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

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.
- The Housing Authority Fund accounts for the transactions of the City's Housing Authority which was established to for the development of low and moderate income housing within the City.
- The C.I.P. 2010 Bond Capital Projects Fund accounts for projects funded with the proceeds of the 2010 Tax Allocation Bonds.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

- Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
- Capital Projects Funds account for the financial resources to be used for the capital improvement projects of the City.
- Internal Service Funds account for the financing of goods or services related to repair, replacement and maintenance of City-owned equipment, the City's self-insurance programs, the City's general information systems and telecommunications hardware, software and the repair, replacement and maintenance of City-owned facilities. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

**Note 1: Summary of Significant Accounting Policies (Continued)**

- The Private Purpose Trust Fund accounts for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.
- Agency Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. They do not involve measurement of results of operations. The City's agency funds account for its special assessment districts.

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

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

**d. Assets, Liabilities and Net Position or Equity**

**Cash and Investments**

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

Investments for the City, as well as for its blended component units, are reported at fair value. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

Functional Classifications

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

- General Government includes legislative activities that have a primary objective of providing legal and policy guidelines for the City. Also included in this classification are those activities that provide management or support services across more than one functional area.
- Public Safety includes those activities that involve the protection of people and property.
- Parks, Recreation and Senior Center include those activities that involve community park maintenance and recreational activities within the community.
- Public Works includes those activities that involve the maintenance and improvement of City streets, roads and park department development and maintenance.
- Capital outlay includes those activities that account for the purchase of fixed and capital assets.

Inventories and Prepaid Items

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

Capital Assets

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

In accordance with Governmental Accounting Standards Board (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 are included as part of the capitalized value of the assets constructed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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**Note 1: Summary of Significant Accounting Policies (Continued)**

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

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

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63 *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,”* and GASB Statement No. 65 *“Items Previously Reported as Assets and Liabilities”* the City recognizes deferred outflows and inflows of resources.

In addition to assets, the statements’ of net position and governmental fund balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item which qualify for reporting in this category; please refer to Note 6 for a detailed listing of the deferred outflows of resources the City has recognized.

In addition to liabilities, the statements’ of net position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items which qualify for reporting in this category; please refer to Note 6 for a detailed listing of the deferred inflows of resources the City has recognized.

Compensated Absences

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Long-Term Obligations

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

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

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

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

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

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

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

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

Net Position Flow Assumption

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

Fund Balance Flow Assumptions

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

Encumbrances

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

Property Tax Revenue

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

Effect of New Accounting Standards

During the fiscal year ended June 30, 2015, the City implemented the following GASB standards:

**GASB Statement No. 68** – *Accounting and financial Reporting for Pensions—an Amendment of GASB Statement No. 27* will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The requirements of this statement are retroactive and effective for financial statements for periods beginning after June 15, 2014.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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**Note 1: Summary of Significant Accounting Policies (Continued)**

The City has fully implemented this standard, which resulted in restated Net Positions' as of June 30, 2014. Please refer to Note 15 regarding the restatement.

**GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.** The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of GASB Statement No. 71 are effective for financial statements beginning after June 15, 2014.

**II. DETAILED NOTES ON ALL FUNDS**

**Note 2: Cash and Investments**

As of June 30, 2015, cash and investments were reported in the accompanying financial statements as follows:

|                            |                             |
|----------------------------|-----------------------------|
| Governmental activities    | \$ 27,839,216               |
| Business-Type activities   | 2,833,593                   |
| Fiduciary funds            | <u>4,405,358</u>            |
| Total Cash and Investments | <u><u>\$ 35,078,167</u></u> |

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

Deposits

At June 30, 2015, the carrying amount of the City's deposits was \$4,128,574 and the bank balance was \$4,146,290. The \$17,716 difference represents outstanding checks and other reconciling items.

**Note 2: Cash and Investments (Continued)**

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

**Investments**

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

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

**Investments Authorized by Debt Agreements**

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

**Note 2: Cash and Investments (Continued)**

Investments in State Investment Pool

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

GASB Statement No. 31

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

Credit Risk

The City's investment policy limits investments in medium-term notes (MTN's) to those rated "AA" or higher by Standard and Poor's (S&P) or by Moody's. As of June 30, 2015, the City's investment in Medium-Term Corporate Notes were all rated AA or better by Moody's and S&P. 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.

The City also invests in LAIF which invests in various underlying securities, including the federal agency securities. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change as well.

As of June 30, 2015, 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, 2015, none of the City's deposits or investments was exposed to custodial credit risk.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 2: Cash and Investments (Continued)**

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer to 25% of the total investment pool. With respect to concentration risk, as of June 30, 2015, the City has not invested more than 25% of its total investments in any one issuer. In addition, GASB 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value. As of June 30, 2015, the City has investments with the following issuers, which exceed 5% of the total investment value:

|  |              |     |
|--|--------------|-----|
| US Treasury Obligations                | \$ 5,448,823 | 18% |
| JP Morgan Chase Co Medium Term Note    | 2,030,560    | 6%  |
| Federal Home Loan Bank                 | 2,307,423    | 7%  |
| Federal Home Loan Mortgage Corporation | 3,697,558    | 12% |
| Federal National Mortgage Association  | 3,023,817    | 10% |
| State Pooled Investment (LAIF)         | 6,325,343    | 20% |

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, 2015, the City had the following investments and original maturities:

| Investments                      | Investment Maturities (in Years) |                      |                     | Fair Value           |
|----------------------------------|----------------------------------|----------------------|---------------------|----------------------|
|                                  | 1 year or less                   | 1 to 3 years         | 3 to 5 years        |                      |
| State Pooled Investment (LAIF)   | \$ 6,325,343                     | \$ -                 | \$ -                | \$ 6,325,343         |
| Federal Farm Credit Bank         | 874,502                          | 185,788              | -                   | 1,060,290            |
| Federal Home Loan Bank           | 1,320,701                        | 986,722              | -                   | 2,307,423            |
| Federal Home Loan Mortgage Corp. | 500,355                          | 2,209,188            | 988,015             | 3,697,558            |
| Federal National Mortgage Assoc. | 325,231                          | 2,198,966            | 499,620             | 3,023,817            |
| US Treasury Notes                | 1,000,550                        | 3,442,413            | 1,005,860           | 5,448,823            |
| Medium Term Corporate Notes      | 1,071,044                        | 7,239,808            | 775,487             | 9,086,339            |
|                                  | <u>\$ 11,417,726</u>             | <u>\$ 16,262,885</u> | <u>\$ 3,268,982</u> | <u>\$ 30,949,593</u> |

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 3: Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

|   | Beginning<br>Balance | Transfers   | Increases   | Decreases | Ending<br>Balance |
|---|----------------------|-------------|-------------|-----------|-------------------|
| <b>Governmental Activities:</b>                 |                      |             |             |           |                   |
| Capital assets, not being depreciated:          |                      |             |             |           |                   |
| Land  | \$ 1,638,532         | \$ -        | \$ -        | \$ -      | \$ 1,638,532      |
| Infrastructure right-of-way                     | 12,406,327           | -           | -           | -         | 12,406,327        |
| Construction-in-progress                        | 4,213,937            | (3,838,502) | 1,329,387   | -         | 1,704,822         |
| Total Capital Assets,<br>Not Being Depreciated  | 18,258,796           | (3,838,502) | 1,329,387   | -         | 15,749,681        |
| Capital assets, being depreciated:              |                      |             |             |           |                   |
| Structures and improvements                     | 8,361,661            | 166,436     | -           | -         | 8,528,097         |
| Equipment and vehicles                          | 5,121,192            | -           | 254,062     | 452,934   | 4,922,320         |
| Infrastructure                                  | 24,263,371           | 3,672,066   | 43,743      | -         | 27,979,180        |
| Total Capital Assets,<br>Being Depreciated      | 37,746,224           | 3,838,502   | 297,805     | 452,934   | 41,429,597        |
| Less accumulated depreciation:                  |                      |             |             |           |                   |
| Structures and improvements                     | 4,004,873            | -           | 419,590     | -         | 4,424,463         |
| Equipment and vehicles                          | 3,612,846            | -           | 291,218     | 442,029   | 3,462,035         |
| Infrastructure                                  | 5,853,735            | -           | 914,868     | -         | 6,768,603         |
| Total Accumulated Depreciation                  | 13,471,454           | -           | 1,625,676   | 442,029   | 14,655,101        |
| Total Capital Assets,<br>Being Depreciated, Net | 24,274,770           | 3,838,502   | (1,327,871) | 10,905    | 26,774,496        |
| Governmental Activities<br>Capital Assets, Net  | \$ 42,533,566        | \$ -        | \$ 1,516    | \$ 10,905 | \$ 42,524,177     |

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

|                                     |              |
|-------------------------------------|--------------|
| Governmental Activities:            |              |
| General Government                  | \$ 73,970    |
| Public Safety                       | 86,532       |
| Public Works                        | 988,652      |
| Parks, Recreation and Senior Center | 235,081      |
| Internal Service Funds              | 241,441      |
| Total Governmental Activities       | \$ 1,625,676 |

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 3: Capital Assets (Continued)**

|   | Beginning<br>Balance | Transfers    | Increases         | Decreases   | Ending<br>Balance   |
|---|----------------------|--------------|-------------------|-------------|---------------------|
| <b>Business-Type Activities:</b>                |                      |              |                   |             |                     |
| Capital assets, not being depreciated:          |                      |              |                   |             |                     |
| Construction-in-progress                        | \$ 826,591           | \$ (747,517) | \$ 1,097,132      | \$ -        | \$ 1,176,206        |
| Total Capital Assets,<br>Not Being Depreciated  | 826,591              | (747,517)    | 1,097,132         | -           | 1,176,206           |
| Capital assets, being depreciated:              |                      |              |                   |             |                     |
| Sewer Lines and Pump Stations                   | 9,153,665            | 747,517      | -                 | -           | 9,901,182           |
| Total Capital Assets,<br>Being Depreciated      | 9,153,665            | 747,517      | -                 | -           | 9,901,182           |
| Less accumulated depreciation:                  |                      |              |                   |             |                     |
| Sewer Lines and Pump Stations                   | 3,829,115            | -            | 204,928           | -           | 4,034,043           |
| Total Accumulated Depreciation                  | 3,829,115            | -            | 204,928           | -           | 4,034,043           |
| Total Capital Assets,<br>Being Depreciated, Net | 5,324,550            | 747,517      | (204,928)         | -           | 5,867,139           |
| Business-Type Activities<br>Capital Assets, Net | <u>\$ 6,151,141</u>  | <u>\$ -</u>  | <u>\$ 892,204</u> | <u>\$ -</u> | <u>\$ 7,043,345</u> |

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

|                           |                   |
|---------------------------|-------------------|
| Business-Type Activities: |                   |
| Sewer                     | <u>\$ 204,928</u> |

**Note 4: Loans Receivable**

Loans receivable consist of the following:

South Bay Community Services Loan – Hemlock Ave.

In April 2006, the Agency entered into a loan agreement for an amount not-to-exceed \$540,425 with South Bay Community Services (SBCS) to loan low and moderate income housing set-aside funds to rehabilitate a seven-unit apartment complex located at 1360 Hemlock Avenue. This loan agreement was amended in October 2007, and increased the loan agreement by \$89,183, creating a total not-to-exceed amount of \$629,608. SBCC intends to rent all seven units to families earning 50% or below of the area median income, for a term of fifty-five years.

Beginning May 31, 2006, and continuing through 2061, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are not required to be paid if the rental and occupancy conditions are met for the property. All principal and accrued interest on the Loan shall be due in full on (i) the date of any transfer not authorized by the Agency; (ii) the date of any Default; or (iii) the expiration of the Loan Term, whichever occurs first. However, upon expiration of the Loan Term, the Loan amount pursuant to the Note and accrued interest shall be forgiven provided all covenants and conditions were met over the Loan Term. Accrued interest at June 30, 2015, amounts to \$159,136 and is offset by unavailable revenue. The loan has not been fully disbursed at June 30, 2015. The outstanding balance at June 30, 2015, is \$788,744, including accrued interest.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 4: Loans Receivable (Continued)**

South Bay Community Services Loan – Calla Ave.

In April 2006, the Agency entered into a loan agreement for an amount not-to-exceed \$491,271 with South Bay Community Services (SBCS) to loan low and moderate income housing set-aside funds to rehabilitate an eight-unit apartment complex located at 1260 Calla Avenue. SBCC intends to rent all seven units to families earning 50% or below of the area median income, for a term of fifty-five years. Beginning May 31, 2006, and continuing through 2061, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are not required to be paid if the rental and occupancy conditions are met for the property. All principal and accrued interest on the Loan shall be due in full on (i) the date of any transfer not authorized by the Agency; (ii) the date of any Default; or (iii) the expiration of the Loan Term, whichever occurs first. However, upon expiration of the Loan Term, the Loan amount pursuant to the Note and accrued interest shall be forgiven provided all covenants and conditions were met over the Loan Term. Accrued interest at June 30, 2015, amounts to \$129,869 and is offset by deferred revenue. The loan has not been fully disbursed at June 30, 2015. The outstanding balance at June 30, 2015, is \$616,324, including accrued interest.

Tax Increment Loan - 12<sup>th</sup> Street

In August 2008, the Agency entered into a loan agreement for an amount not-to-exceed \$1,945,000 with Beachwind Court, LP to loan low and moderate income housing set-aside funds to rehabilitate a fifteen-unit apartment complex located at 624 12th Street. Beachwind Court, LP intends to rent seven units to families earning 50% or below of the area median income and to rent all seven units to families earning 60% or below of the area median income, for a term of fifty-five years. Beginning on the date of disbursement, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are required to be paid within 30 days of completion of the annual audit equivalent to 50% of the residual receipts generated by the projects audited records. Accrued interest at June 30, 2015, amounts to \$384,321 and is offset by deferred revenue. The outstanding balance at June 30, 2015, is \$2,329,321, including accrued interest.

American Legion Loan

The Imperial Beach Housing Authority and Hitzke Development Corporation entered into an Affordable Housing Agreement for the development of a mixed-use affordable housing development project and new American Legion Post. The Authority authorized financing for the Project for an amount not to exceed \$4,100,000 to construct thirty (30) units of affordable housing consisting of twenty-nine (29) affordable residential rental units and one manager's unit. Monthly principal and interest payments are required to be paid within 30 days of completion of the annual audit equivalent to 50% of the residual receipts generated by the projects audited records. Accrued interest at June 30, 2015, amounts to \$389,500 and is offset by deferred revenue. The outstanding balance at June 30, 2014, is \$4,489,500, including accrued interest.

Habitat for Humanity, 10<sup>th</sup> and Donax

The Imperial Beach Housing Authority and the San Diego Habitat for Humanity entered into a note secured by deed of trust agreement, whereas the Housing Authority sold to Habitat for Humanity in exchange for a loan receivable and cash in the amount of \$211,495. The Loan bears 0% and is forgivable upon Habitat's for Humanities timely completion of Affordable Units. Accrued interest at June 30, 2015, amounts to \$16,275. As of June 30, 2015, the loan amount outstanding was \$771,270.

**CITY OF IMPERIAL BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

**Note 4: Loans Receivable (Continued)**

Total loans receivable at June 30, 2015, amounts to \$8,995,159.

**Note 5: Interfund Receivable, Payable and Transfers**

The composition of interfund balances as of June 30, 2015, is as follows:

**Due To/Due From Other Funds**

| <u>Funds</u>          | <u>Due to Other Funds</u>                   |                   |
|-----------------------|---|-------------------|
|                       | <u>Non-major<br/>Governmental<br/>Funds</u> | <u>Total</u>      |
| Due From Other Funds: |   |                   |
| General Fund          | \$ 183,594                                  | \$ 183,594        |
| Total                 | <u>\$ 183,594</u>                           | <u>\$ 183,594</u> |

**Due from Successor Agency**

In previous fiscal years, the City made loans to the former redevelopment agency; now assumed by the Successor Agency (See Note 13 for further discussion). These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The City may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated with the next fiscal year. As of June 30, 2015, loans made from the General Fund to the former Redevelopment Agency Capital Projects Fund, including accrued unpaid interest owed on those loans, were \$1,476,661.

**Interfund Transfers**

|                       | <u>Transfers In</u>     |                              |  | <u>Total</u>        |
|-----------------------|-------------------------|------------------------------|--|---------------------|
|                       | <u>General<br/>Fund</u> | <u>Housing<br/>Authority</u> | <u>Non-Major<br/>Governmental<br/>Fund</u> |                     |
| <u>Transfers Out:</u> |                         |                              |  |                     |
| General Fund          | \$ -                    | \$ 246,114                   | \$ 8,133                                   | \$ 254,247          |
| Housing Authority     | -                       | -                            | 16,869                                     | 16,869              |
| Nonmajor Govt Funds   | 797,400                 | -                            | 261,431                                    | 1,058,831           |
| Total                 | <u>\$ 797,400</u>       | <u>\$ 246,114</u>            | <u>\$ 286,433</u>                          | <u>\$ 1,329,947</u> |

The City received \$1,146,224 as payment of the City Loan to the Successor Agency as per the Recognized Obligation Payment Schedule 14-15B. As per California Department of Finance regulations, the General Fund transferred 20% of that amount, or \$229,245, to the Housing Successor. Transfers into the General Fund totaling \$797,400, were made from the Gas Tax Fund and Prop A Tax Fund to support street maintenance and transportation costs. A \$261,431 transfer was made from the Residential Construction Fund to the Parks and Maintenance Fund, due to consolidation. The \$25,002 transfer was made to the CDBG Fund to cover a negative cash balance from the prior year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 6: Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,”* and GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities,”* the City recognized deferred outflows of resources in the government-wide and proprietary fund statements. These items are a consumption of net position by the City that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The City has one item that is reportable on the Government-wide Statement of Net Position. It relates to outflows from changes in the net pension liability (Note 10). Deferred outflows of resources that are reported in the proprietary funds are included in the Government-wide Statement of Net Position. Governmental activities and Business-Type Activities recorded deferred outflows of resources related to pensions of \$859,438 and \$40,597, respectively.

In addition, the City recognized deferred inflows of resources in the government-wide, governmental fund, and proprietary fund statements. These items are an acquisition of net position by the City that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The City has one item that is reportable on the Government-wide Statement of Net Position; inflows from changes in the net pension liability (Note 10). Deferred inflows of resources that are reported in the proprietary funds are included in the Government-wide Statement of Net Position. Governmental activities and Business-Type Activities recorded deferred inflows of resources related to pensions of \$2,488,668 and \$140,611, respectively.

Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds will therefore include additional deferred inflows of resources for amounts that have been earned but are not available to finance expenditures in the current period. The City has two items that are reportable on the Governmental Fund Balance Sheet: the first of these items relates to the total housing loan principal and accrued interest receivable amount of \$8,995,159 (Note 4) and the second relates to unavailable DUI revenue of \$16,816, parking ticket revenues of \$210,360, and sales tax \$147,709.

**Note 7: Unearned Revenue**

General Fund unearned revenue consists of \$460,000 relating to a lease with the Unified Port District of San Diego and \$20,529 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, 2015, \$460,000 remains of this unearned lease revenue.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 8: Long-Term Debt**

**a. Long-Term Debt – Governmental Activities**

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2015:

|                      | Balance<br>7/1/2014 | Additions         | Deletions         | Balance<br>6/30/2015 | Due Within One<br>Year |
|----------------------|---------------------|-------------------|-------------------|----------------------|------------------------|
| Compensated Absences | \$ 777,688          | \$ 530,172        | \$ 497,847        | \$ 810,013           | \$ 239,811             |
| Claims & Judgments   | 1,597,174           | 361,662           | 424,449           | 1,534,387            | 717,929                |
|                      | <u>\$ 2,374,862</u> | <u>\$ 891,834</u> | <u>\$ 922,296</u> | <u>\$ 2,344,400</u>  | <u>\$ 957,740</u>      |

**Compensated Absences**

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

**Claims and Judgments**

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

**b. Long-Term Debt – Business-Type Activities**

The following is a summary of changes in Proprietary Fund long-term debt for the year ended June 30, 2015:

|                      | Balance<br>July 1, 2014 | Additions        | Deletions        | Balance<br>June 30, 2015 | Due Within<br>One Year |
|----------------------|-------------------------|------------------|------------------|--------------------------|------------------------|
| Enterprise Fund:     |                         |                  |                  |                          |                        |
| Compensated absences | <u>\$ 62,167</u>        | <u>\$ 30,601</u> | <u>\$ 29,275</u> | <u>\$ 63,493</u>         | <u>\$ 15,803</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, 2015, was \$94,000. This bond liability has not been recorded in the accompanying financial statements in compliance with GASB Statement No. 6.

**Note 8: Long-Term Debt (Continued)**

**d. Limited Obligation Improvement Bonds**

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

**III. OTHER INFORMATION**

**Note 9: Pensions**

Miscellaneous Plans

Description of Plans

The City of Imperial Beach Miscellaneous "Classic" Plan, PEPRA Miscellaneous Plan and Miscellaneous Second Tier Plan (Miscellaneous Plans) are a cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Plans. Benefit provisions under the Miscellaneous Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the Miscellaneous Plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Public Employees' Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. These PEPRA members in pooled plans are reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in response to the passage of PEPRA, beginning with the June 30, 2013, risk-pool valuations. Therefore, pursuant to PEPRA, the Miscellaneous "Classic" plan is closed to new entrants as of January 1, 2013.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 9: Pensions (Continued)**

The Miscellaneous Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

|   | <u>Miscellaneous Plans</u>  |                                 |                             |
|---|-----------------------------|---------------------------------|-----------------------------|
|   | <u>Classic</u>              | <u>Second Tier</u>              | <u>PEPRA</u>                |
|   |                             | On or after<br>Mar. 9, 2012 but |                             |
| Hire date   | Prior to Mar. 9,<br>2012    | prior to<br>Jan. 1, 2013        | On or after Jan. 1,<br>2013 |
| Benefit formula                                   | 2.7% @ 55                   | 2% @ 60                         | 2.0% @ 62                   |
| Benefit vesting schedule                          | 5 years of credited service |                                 |                             |
| Benefit payments                                  | monthly for life            |                                 |                             |
| Retirement age                                    | 50 and up                   | 50 and up                       | 52 and up                   |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.7%                | 1.092% to 2.272%                | 1.0% to 2.0%                |
| Required employee contribution rates              | 7.947%                      | 6.880%                          | 6.308%                      |
| Required employer contribution rates              | 15.685%                     | 8.049%                          | 6.250%                      |

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Miscellaneous Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as a reduction to the Net Pension Liability for each plan were as follows:

|  | <u>Classic</u> | <u>PEPRA</u> | <u>Second Tier</u> | <u>Total Miscellaneous Plans</u> |
|--|----------------|--------------|--------------------|----------------------------------|
| Employee Contributions   | \$ 214,985     | \$ 18,342    | \$ 28,354          | \$ 261,681                       |
| Employer Proportionate Share of Aggregate Employer Contributions | 555,061        | 141          | 723                | 555,925                          |

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 9: Pensions (Continued)**

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, The City reported net pension liabilities for its proportionate shares of the net pension liability of each Miscellaneous Plan as follows:

|                              | <u>Classic</u> | <u>PEPRA</u> | <u>Second Tier</u> | <u>Total<br/>Miscellaneous<br/>Plans</u> |
|------------------------------|----------------|--------------|--------------------|--|
| Proportion - June 30, 2013   | \$ 5,102,681   | \$ 1,457     | \$ 7,462           | \$ 5,111,600                             |
| Proportion - June 30, 2014   | 3,528,096      | 1,066        | 5,461              | 3,534,623                                |
| Change - Increase/(Decrease) | (1,574,585)    | (391)        | (2,001)            | (1,576,977)                              |

The City's net pension liability for each of the Miscellaneous Plans are measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans are measured as of June 30, 2014, and the total pension liability for each Miscellaneous Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each of the Miscellaneous Plans as of June 30, 2013 and 2014, was as follows:

|                              | <u>Classic</u> | <u>PEPRA</u> | <u>Second Tier</u> |
|------------------------------|----------------|--------------|--------------------|
| Proportion - June 30, 2013   | 0.1557%        | 0.0000%      | 0.0002%            |
| Proportion - June 30, 2014   | 0.1428%        | 0.0000%      | 0.0002%            |
| Change - Increase/(Decrease) | -0.0130%       | 0.0000%      | 0.0000%            |

For the year ended June 30, 2015, the City recognized pension expense of \$315,811 for all Miscellaneous Plans. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Pension contributions subsequent to measurement date   | \$ 406,360                                    | \$ -   |
| Unamortized difference between employer contribution and the plans proportionate share of aggregate employer contributions | -   | 143,105                                      |
| Net difference between projected and actual earnings on pension plan investments   | -   | 1,412,105                                    |
| Adjustment due to differences in proportions   | 44,724  | 7,141  |
| <b>Total</b>   | <u><u>\$ 451,084</u></u>                      | <u><u>\$ 1,562,351</u></u>                   |

**CITY OF IMPERIAL BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

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**Note 9: Pensions (Continued)**

The \$406,360 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended<br>June 30, | Deferred Outflows/<br>(Inflows) of Resources |
|------------------------|--|
| 2016                   | \$ (377,264)                                 |
| 2017                   | (377,264)                                    |
| 2018                   | (372,416)                                    |
| 2019                   | (353,024)                                    |

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2013, actuarial valuations were determined using the following actuarial assumptions:

|                                  | <u>Classic</u>  | <u>PEPRA</u>     | <u>Second Tier</u> |
|----------------------------------|---|------------------|--------------------|
| Valuation Date                   | June 30, 2013   | June 30, 2013    | June 30, 2013      |
| Measurement Date                 | June 30, 2014   | June 30, 2014    | June 30, 2014      |
| Actuarial Cost Method            | Entry Age Normal                                      |                  |                    |
| Actuarial Assumptions:           |   |                  |                    |
| Discount Rate                    | 7.50%   | 7.50%            | 7.50%              |
| Inflation                        | 2.75%   | 2.75%            | 2.75%              |
| Projected Salary Increase        | Varies by Entry Age and Service                       |                  |                    |
| Investment Rate of Return        | 7.5%, Net of investment and administrative expenses   |                  |                    |
| Mortality Rate Table             | Derived using CalPERS' Membership Data for all Funds* |                  |                    |
| Post Retirement Benefit Increase | COLA up to 2.75%                                      | COLA up to 2.75% | COLA up to 2.75%   |

\* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this schedule, please refer to the CalPERS 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013, valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50% for each of the Miscellaneous Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the assumed 7.50% discount rate is adequate and the use of the municipal bond rate is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

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**Note 9: Pensions (Continued)**

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| <b>Asset Class</b>            | <b>New<br/>Strategic<br/>Allocation</b> | <b>Real Return<br/>Years 1-10*</b> | <b>Real Return<br/>Years 11+**</b> |
|-------------------------------|---|------------------------------------|------------------------------------|
| Global Equity                 | 47.00%                                  | 5.25%                              | 5.71%                              |
| Global Fixed Income           | 19.00%                                  | 0.99%                              | 2.43%                              |
| Inflation Sensitive           | 6.00%                                   | 0.45%                              | 3.36%                              |
| Private Equity                | 12.00%                                  | 6.83%                              | 6.95%                              |
| Real Estate                   | 11.00%                                  | 4.50%                              | 5.13%                              |
| Infrastructure and Forestland | 3.00%                                   | 4.50%                              | 5.09%                              |
| Liquidity                     | 2.00%                                   | -0.55%                             | -1.05%                             |

\* An expected inflation of 2.5% used for this period

\*\*An expected inflation of 3.0% used for this period

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 9: Pensions (Continued)**

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each Miscellaneous Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

|  | <b>Discount Rate<br/>- 1%<br/>(6.50%)</b> | <b>Current<br/>Discount Rate<br/>(7.50%)</b> | <b>Discount Rate<br/>+ 1%<br/>(8.50%)</b> |
|--|---|--|---|
| Classic Plan Net Pension Liability       | \$ 6,719,197                              | \$ 3,528,096                                 | \$ 879,785                                |
| PEPRA Net Pension Liability              | 1,899                                     | 1,066  | 374                                       |
| Second Tier Net Pension Liability        | <u>9,731</u>                              | <u>5,461</u>                                 | <u>1,918</u>                              |
| <b>Total for All Miscellaneous Plans</b> | <b><u>\$ 6,730,827</u></b>                | <b><u>\$ 3,534,623</u></b>                   | <b><u>\$ 882,077</u></b>                  |

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Allocation of Proportionate Share of Net Pension Liability

The allocation of the proportionate share of the net pension liability, pension expense, deferred outflows and inflows of resources are allocated as follows:

|                          | <b>Allocation<br/>Percentage</b> |
|--------------------------|----------------------------------|
| Governmental Activities  | 91.00%                           |
| Business-Type Activities | 9.00%                            |

The governmental activities portion is allocated to the general fund departments as follows:

|                      | <b>Allocation<br/>Percentage</b> |
|----------------------|----------------------------------|
| General Government   | 60.00%                           |
| Public Works         | 3.00%                            |
| Parks and Recreation | 37.00%                           |

**Note 9: Pensions (Continued)**

Safety Plans

Descriptions of Plans

The City of Imperial Beach Safety Lifeguard Plan, Safety Fire Plan, and Safety Lifeguard Second Tier Plan (Safety Plans) are a cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). All qualified permanent and probationary employees are eligible to participate in the City's Safety Plans. Benefit provisions under the Miscellaneous Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the Miscellaneous Plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Public Employees' Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. These PEPRA members in pooled plans are reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in response to the passage of PEPRA, beginning with the June 30, 2013 risk-pool valuations.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 9: Pensions (Continued)**

The Safety Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

|   | <b>Safety Plans</b>         |  |                          |
|---|-----------------------------|--|--------------------------|
|   | <u>Lifeguard</u>            | <u>Lifeguard Second Tier</u>                       | <u>Lifeguard PEPRA</u>   |
|   | Prior to Mar. 9, 2012       | On or after Mar. 9, 2012 but prior to Jan. 1, 2013 | On or after Jan. 1, 2013 |
| Hire date   | 9, 2012                     | Jan. 1, 2013                                       | Jan. 1, 2013             |
| Benefit formula                                   | 2.0% @ 50                   | 2.0% @ 50  | 2.7% @ 57                |
| Benefit vesting schedule                          | 5 years of credited service |  |                          |
| Benefit payments                                  | monthly for life            |  |                          |
| Retirement age                                    | 50 and up                   | 50 and up  | 50 and up                |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.7%                | 2.0% to 2.7%                                       | 2.0% to 2.7%             |
| Required employee contribution rates              | 8.922%                      | 8.922%   | N/A                      |
| Required employer contribution rates              | 20.268%                     | 19.900%  | N/A                      |
|   | <u>Fire</u>                 | <u>Fire Second Tier</u>                            | <u>Fire PEPRA</u>        |
|   | Prior to Mar. 9, 2012       | On or after Mar. 9, 2012 but prior to Jan. 1, 2013 | On or after Jan. 1, 2013 |
| Hire date   | 2012                        | Jan. 1, 2013                                       | 2013                     |
| Benefit formula                                   | 3.0% @ 50                   | 2.0% @ 50  | 2.7% @ 57                |
| Benefit vesting schedule                          | 5 years of credited service |  |                          |
| Benefit payments                                  | monthly for life            |  |                          |
| Retirement age                                    | 50 and up                   | 50 and up  | 50 and up                |
| Monthly benefits, as a % of eligible compensation | 3.0%                        | 2.0% to 2.7%                                       | 2.0% to 2.7%             |
| Required employee contribution rates              | 8.986%                      | N/A  | N/A                      |
| Required employer contribution rates              | 26.149%                     | N/A  | N/A                      |

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Miscellaneous Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each plan were as follows:

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

Note 9: Pensions (Continued)

|  | <u>Lifeguard</u> | <u>Lifeguard<br/>Second Tier</u> | <u>Fire</u> | <u>Total Safety<br/>Plans</u> |
|--|------------------|----------------------------------|-------------|-------------------------------|
| Employee Contributions   | \$ 24,590        | \$ 9,705                         | \$ 143,022  | \$ 177,317                    |
| Employer Proportionate<br>Share of Aggregate<br>Employer Contributions | 21,377           | 687                              | 355,979     | 378,043                       |

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, The City reported net pension liabilities for its proportionate shares of the net pension liability of each Miscellaneous Plan as follows:

|                              | <u>Lifeguard</u> | <u>Lifeguard<br/>Second Tier</u> | <u>Fire</u>  | <u>Total Safety<br/>Plans</u> |
|------------------------------|------------------|----------------------------------|--------------|-------------------------------|
| Proportion - June 30, 2013   | \$ 208,187       | \$ 7,329                         | \$ 3,449,815 | \$ 3,665,331                  |
| Proportion - June 30, 2014   | 151,355          | 5,535                            | 2,502,612    | 2,659,502                     |
| Change - Increase/(Decrease) | (56,832)         | (1,794)                          | (947,203)    | (1,005,829)                   |

The City's net pension liability for each of the Safety Plans are measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans are measured as of June 30, 2014, and the total pension liability for each Safety Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each of the Safety Plans as of June 30, 2013 and 2014, was as follows:

|                              | <u>Lifeguard</u> | <u>Lifeguard<br/>Second Tier</u> | <u>Fire</u> |
|------------------------------|------------------|----------------------------------|-------------|
| Proportion - June 30, 2013   | 0.0044%          | 0.0002%                          | 0.0721%     |
| Proportion - June 30, 2014   | 0.0040%          | 0.0002%                          | 0.0667%     |
| Change - Increase/(Decrease) | -0.0003%         | 0.0000%                          | -0.0054%    |

For the year ended June 30, 2015, the City recognized pension expense of \$190,970 for all Safety Plans. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

Note 9: Pensions (Continued)

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Pension contributions subsequent to measurement date   | \$ 350,524                                    | \$ -                                     |
| Unamortized difference between employer contribution and the plans proportionate share of aggregate employer contributions | -   | 118,548                                  |
| Net difference between projected and actual earnings on pension plan investments   | -   | 920,127                                  |
| Adjustment due to differences in proportions   | <u>98,427</u>                                 | <u>28,253</u>                            |
| <b>Total</b>   | <b><u><u>\$ 448,951</u></u></b>               | <b><u><u>\$ 1,066,928</u></u></b>        |

The \$350,524 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year Ended<br/>June 30,</u> | <u>Deferred<br/>Outflows/(Inflows<br/>of Resources</u> |
|--------------------------------|--|
| 2016                           | \$ (236,167)   |
| 2017                           | (236,167)  |
| 2018                           | (234,939)  |
| 2019                           | (230,031)  |

**CITY OF IMPERIAL BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015**

**Note 9: Pensions (Continued)**

Actuarial Assumptions

The total pension liabilities in the June 30, 2013, actuarial valuations were determined using the following actuarial assumptions:

|                                  | <u>Lifeguard</u>                                      | <u>Lifeguard<br/>Second Tier</u> | <u>Fire</u>      |
|----------------------------------|---|----------------------------------|------------------|
| Valuation Date                   | June 30, 2013   | June 30, 2013                    | June 30, 2013    |
| Measurement Date                 | June 30, 2014   | June 30, 2014                    | June 30, 2014    |
| Actuarial Cost Method            |   | Entry Age Normal                 |                  |
| Actuarial Assumptions:           |   |                                  |                  |
| Discount Rate                    | 7.50%   | 7.50%                            | 7.50%            |
| Inflation                        | 2.75%   | 2.75%                            | 2.75%            |
| Projected Salary Increase        | Varies by Entry Age and Service                       |                                  |                  |
| Investment Rate of Return        | 7.5%, Net of investment and administrative expenses   |                                  |                  |
| Mortality Rate Table             | Derived using CalPERS' Membership Data for all Funds* |                                  |                  |
| Post Retirement Benefit Increase | COLA up to 2.75%                                      | COLA up to 2.75%                 | COLA up to 2.75% |

\* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this schedule, please refer to the CalPERS 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used on the June 30, 2013, valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each of the Safety Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the assumed 7.50% discount rate is adequate and the use of the municipal bond rate is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

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**Note 9: Pensions (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| <b>Asset Class</b>            | <b>New<br/>Strategic<br/>Allocation</b> | <b>Real Return<br/>Years 1-10*</b> | <b>Real Return<br/>Years 11+**</b> |
|-------------------------------|---|------------------------------------|------------------------------------|
| Global Equity                 | 47.00%                                  | 5.25%                              | 5.71%                              |
| Global Fixed Income           | 19.00%                                  | 0.99%                              | 2.43%                              |
| Inflation Sensitive           | 6.00%                                   | 0.45%                              | 3.36%                              |
| Private Equity                | 12.00%                                  | 6.83%                              | 6.95%                              |
| Real Estate                   | 11.00%                                  | 4.50%                              | 5.13%                              |
| Infrastructure and Forestland | 3.00%                                   | 4.50%                              | 5.09%                              |
| Liquidity                     | 2.00%                                   | -0.55%                             | -1.05%                             |

\* An expected inflation of 2.5% used for this period

\*\*An expected inflation of 3.0% used for this period

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 9: Pensions (Continued)**

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each Safety Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

|  | <b>Discount Rate -<br/>1%<br/>(6.50%)</b> | <b>Current<br/>Discount Rate<br/>(7.50%)</b> | <b>Discount Rate +<br/>1%<br/>(8.50%)</b> |
|--|---|--|---|
| Lifeguard Plan Net Pension Liability         | \$ 272,770                                | \$ 151,355                                   | \$ 51,314                                 |
| Lifeguard Second Tier Net Pension Liability  | 9,525                                     | 5,535  | 2,248                                     |
| Fire Plan Net Pension Liability              | <u>4,522,060</u>                          | <u>2,502,612</u>                             | <u>838,674</u>                            |
| <b>Total for All<br/>Miscellaneous Plans</b> | <b><u>\$ 4,804,355</u></b>                | <b><u>\$ 2,659,502</u></b>                   | <b><u>\$ 892,236</u></b>                  |

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Allocation of Proportionate Share of Net Pension Liability

The allocation of the proportionate share of the net pension liability, pension expense, deferred outflows and inflows of resources are allocated as follows:

|                         |                                  |
|-------------------------|----------------------------------|
|                         | <b>Allocation<br/>Percentage</b> |
| Governmental Activities | <u>100.00%</u>                   |

The governmental activities portion is allocated to the general fund departments as follows:

|               |                                  |
|---------------|----------------------------------|
|               | <b>Allocation<br/>Percentage</b> |
| Public Safety | <u>100.00%</u>                   |

**CITY OF IMPERIAL BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

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**Note 10: Other Post-Employment Benefits**

Plan Description

The City provides other post-employment benefits (OPEB) through a single-employer defined benefit healthcare plan by contributing up to a maximum of \$122.00 per month for of all premiums charged under the health benefit plan for all eligible employees and qualified family members. These benefits are provided per contract between the City and the employee associations. A separate financial report is not available for the plan.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or employee associations. Currently, contributions are not required from plan members. A contribution of \$15,575 was made during the 2014-2015 fiscal year and was not included in the October 1, 2012, actuarial study. The purpose of the contribution was to pay current year premiums for retirees.

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

|   |                          |
|---|--------------------------|
| Annual required contribution (ARC)              | \$ 34,496                |
| Interest on net OPEB obligation                 | 2,393                    |
| Adjustments to ARC                              | <u>(6,128)</u>           |
| Annual OPEB cost                                | 30,761                   |
| Contributions made                              | <u>15,575</u>            |
| (Decrease) increase in Net OPEB obligation      | 15,186                   |
| Net OPEB obligation (asset) - beginning of year | <u>127,108</u>           |
| Net OPEB obligation (asset) - end of year       | <u><u>\$ 142,294</u></u> |

The City contributed 50.63% or \$15,575 of the Annual OPEB Cost of \$30,761; an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the annual normal cost and the amortization of unfunded actuarial liabilities (or funding excess) over a thirty year period.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014-2015, and the two preceding years were as follows:

| <u>End</u> | <u>Cost</u> | <u>Adjustments)</u> | <u>Contributed</u> | <u>(Asset)</u> |
|------------|-------------|---------------------|--------------------|----------------|
| 6/30/2014  | \$ 31,414   | \$ 15,332           | 48.81%             | \$ 127,108     |
| 6/30/2015  | 30,761      | 15,575              | 50.63%             | 142,294        |

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

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**Note 10: Other Post-Employment Benefits (Continued)**

## Funded Status and Funding Progress

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

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The table below presents the latest information available.

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

## Actuarial Methods and Assumptions

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

In the October 1, 2012, actuarial valuation, the level percentage of payroll actuarial cost method was used. The actuarial assumptions include a 5% investment rate of return, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and annual healthcare cost trend rate of 4%. The actuarial value of assets is set equal to the reported market value of assets. The UAAL is being amortized as a level dollar on an open basis. The remaining amortization period at June 30, 2015, was twenty-four years. The number of current employees who are eligible to participate in OPEB once retired is 61, the number of retirees currently receiving benefits are 12, and to be eligible to receive benefits the employee must retire from the City and be taking medical insurance at the time of retirement.

**Note 11: Self-Insurance Program**

General Liability

On August 8, 1990, the City became one of twelve members of the San Diego Pooled Insurance Program Authority (SANDPIPA) and San Diego County Cities Risk Management Authority (SDCCRMA). These organizations were created by a joint powers authority (JPA) to provide liability, property and casualty coverage to its members. Under the joint powers agreement SANDPIPA provides liability insurance coverage for the City for the difference between \$2,500,000 and the individual self-insured retention of \$125,000 each occurrence, \$15,000,000 annual aggregate for the pool. Commercial excess liability insurance is provided from the \$2,500,000 up to \$44,500,000 per occurrence. The premiums billed by the JPA to member cities are planned to match the expenses of the self-insurance as well as the cost of providing the excess layer coverage and the cost of administering the plan.

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

Workers Compensation

The City is a member of CSAC Excess Insurance Authority. The City is self-insured for the first \$250,000 of workers' compensation claims. Claims between \$250,000 and \$5,000,000 are covered through the City's risk sharing membership in CSAC. Claims between \$5,000,000 and \$50,000,000 are covered by excess purchased insurance.

The City established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risk of loss when it became a member of SANDPIPA, PEPIC and CSAC for liability, property casualty and workers' compensation coverage. All funds of the City participate in the program and make payments to the Self-Insurance Fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. The estimated claims liability of \$1,077,000 reported at June 30, 2015, is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The above amount includes an estimate for incurred but not reported claims.

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

**CITY OF IMPERIAL BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

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**Note 11: Self-Insurance Program (Continued)**

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

|   | <u>2013-2014</u>    | <u>2014-2015</u>    |
|---|---------------------|---------------------|
| Claims outstanding at beginning of year | \$ 1,618,483        | \$ 1,597,174        |
| Claims and changes in estimates         | 183,571             | 361,662             |
| Claim payments                          | <u>(204,880)</u>    | <u>(424,449)</u>    |
| Claims outstanding at end of year       | <u>\$ 1,597,174</u> | <u>\$ 1,534,387</u> |

**Note 12: Contingencies**

Litigation

The City is involved in various lawsuits of which the outcome was undetermined as of June 30, 2015. No amount has been accrued for these contingent amounts.

Sand Replenishment Claims

***Argoud et al. vs. City of Imperial Beach:***

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

***Additional Sand Claims:***

On July 29, 2014, the City received new claims, in relation to the City's involvement in the SANDAG sand replenishment project, from various homeowners and homeowner associations. These claims arise out of alleged water intrusion incidents and damages on January 27, 2014, March 1, 2014, and continuing. These claims are seeking an estimated \$150,000,000 in damages for personal injuries, emotional distress, costs of repairs, and diminution of property value. The jury trial on the plaintiffs' tort claims and damages is set for July 29, 2016. No damages have been estimated as of June 30, 2015.

Navy Billing

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

**CITY OF IMPERIAL BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015**

**Note 12: Contingencies (Continued)**

The following material construction commitments existed at June 30, 2015:

| Project Name               | Contract Amount | Expenditures to date as of June 30, 2015 | Remaining Commitments |
|----------------------------|-----------------|--|-----------------------|
| RTIP FY 13-14 Elm Ave ASP  | \$ 309,754      | \$ 206,003                               | \$ 103,751            |
| RTIP FY 14-15              | 546,318         | 95,256                                   | 451,062               |
| Delaware Street & Sidewalk | 266,710         | 48,768                                   | 217,942               |
| PS#10 Rehabilitation       | 392,440         | 27,846                                   | 364,594               |

**Note 13: Successor Agency Trust for Assets of the Former Redevelopment Agency**

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

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On November 1, 2011, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

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

**a. Cash and Investments**

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

|   |                     |
|---|---------------------|
| Cash and investments pooled with the City | \$ 1,179,341        |
| Cash and investments with fiscal agent    | <u>2,835,565</u>    |
|   | <u>\$ 4,014,906</u> |

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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

**b. Long-Term Debt**

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2015, follows:

|                              | Balance<br>July 1, 2014 | Additions   | Repayments                     | Balance<br>June 30, 2015 | Due Within<br>One Year |
|------------------------------|-------------------------|-------------|--------------------------------|--------------------------|------------------------|
| <b>Fiduciary Funds:</b>      |                         |             |                                |                          |                        |
| 2010 Tax Allocation Bonds    | \$ 21,235,000           | \$ -        | \$ 235,000                     | \$ 21,000,000            | \$ 245,000             |
| 2013 Tax Allocation Bonds    | 17,260,000              | -           | -                              | 17,260,000               | -                      |
| <b>Total Fiduciary Funds</b> | <u>\$ 38,495,000</u>    | <u>\$ -</u> | <u>\$ 235,000</u>              | 38,260,000               | <u>\$ 245,000</u>      |
|                              |                         |             | Unamortized Premiums/Discounts | (156,379)                |                        |
|                              |                         |             | Total Long-term Debt           | <u>\$ 38,103,621</u>     |                        |

Tax Allocation Bonds, 2010

In November 2010, the Imperial Beach Public Financing Authority issued \$21,595,000 Tax Allocation Bonds, 2010. The proceeds of the bonds were loaned to the former Imperial Beach Redevelopment Agency to fund redevelopment activities, to provide for a reserve fund and to provide for the costs of issuance of the bonds.

Although the bonds were issued by the Authority and loaned to the former Redevelopment Agency, the loan transaction has been eliminated from these financial statements, as the Public Financing Authority does not have its own financial statements or fund. The Agency's obligations under the Loan Agreements are secured by a pledge of Tax Revenues, not including Low and Moderate Income Housing set-aside that it receives. Interest on the bonds is payable semiannually and principal payments are due annually. The bonds consist of \$2,135,000 in term bonds due June 1, 2030, with interest at 5.000%; term bonds of \$5,170,000 due June 1, 2035, with interest at 5.000% and term bonds of \$10,715,000 due June 1, 2040, with interest at 5.125%. The balance at June 30, 2015, excluding unamortized original issue discount of \$651,481, is \$21,000,000.

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

|             | 2010 Tax Allocation Bonds |                      |
|-------------|---------------------------|----------------------|
|             | Principal                 | Interest             |
| 2015 - 2016 | \$ 245,000                | \$ 1,034,056         |
| 2016 - 2017 | 255,000                   | 1,026,706            |
| 2017 - 2018 | 265,000                   | 1,018,419            |
| 2018 - 2019 | 275,000                   | 1,009,144            |
| 2019 - 2020 | 285,000                   | 998,831              |
| 2020 - 2025 | 1,655,000                 | 4,802,481            |
| 2025 - 2030 | 2,135,000                 | 4,370,219            |
| 2030 - 2035 | 5,170,000                 | 3,715,469            |
| 2035 - 2040 | 10,715,000                | 1,703,806            |
| 2040 - 2045 | -                         | -                    |
| Totals      | <u>\$ 21,000,000</u>      | <u>\$ 19,679,131</u> |

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**
**Note 13: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)**

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

**Tax Allocation Bonds, 2013**

In January 2014, the Imperial Beach Public Financing Authority issued \$17,260,000 Tax Allocation Bonds, 2013. The proceeds of the bonds were to defease the 2003 Series A Tax Allocation Bonds. Interest on the bonds is payable semiannually and principal payments are due annually. Debt service payments occur from June 1, 2017, through June 1, 2033. Interest rates on the bonds range from 3.625% to 5% per annum. The balance at June 30, 2015, excluding unamortized original issue premium of \$495,102, is \$17,260,000.

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

|             | 2013 Tax Allocation Refunding Bonds |                     |
|-------------|-------------------------------------|---------------------|
|             | Principal                           | Interest            |
| 2015 - 2016 | \$ -                                | \$ 790,463          |
| 2016 - 2017 | 145,000                             | 790,463             |
| 2017 - 2018 | 760,000                             | 784,663             |
| 2018 - 2019 | 790,000                             | 754,263             |
| 2019 - 2020 | 825,000                             | 722,663             |
| 2020 - 2025 | 4,720,000                           | 3,011,606           |
| 2025 - 2030 | 5,825,000                           | 1,870,281           |
| 2030 - 2035 | 4,195,000                           | 426,000             |
| Totals      | <u>\$ 17,260,000</u>                | <u>\$ 9,150,402</u> |

**Pledged Revenue**

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$67,089,533 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$3,650,680 and the debt service obligation on the bonds was \$2,056,673.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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

**c. Insurance**

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

**Note 14: Net Position Restatements**

Pursuant to GASB Statement No. 68 "Accounting and Financial Reporting For Pensions – An Amendment of GASB Statement No. 27", the City's Governmental and Proprietary Net Positions were restated as of June 30, 2014, to reflect the City's proportionate share of the net pension liability.

The restatements were reflected as follows:

|                           | Miscellaneous<br>Plans | Safety Plans        | Total<br>Restatement | Net Position at July 1, 2014 |               |
|---------------------------|------------------------|---------------------|----------------------|------------------------------|---------------|
|                           |                        |                     |                      | Previously<br>Stated         | Restated      |
| Governmental Net Position | \$ 4,275,890           | \$ 3,405,836        | \$ 7,681,726         | \$ 78,010,408                | \$ 70,328,682 |
| Proprietary Net Position  | 422,890                | -                   | 422,890              | 8,691,782                    | 8,268,892     |
| June 30, 2013 (NPL)       | <u>\$ 4,698,780</u>    | <u>\$ 3,405,836</u> |                      |                              |               |

**Note 15: Restricted Components of Net Position**

The restricted component of net position are assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. In fiscal year 2015, the City did not have any components of net position restricted by enabling legislation.

The restricted component of net position at June 30, 2015, for governmental activities is as follows:

|   |                            |
|---|----------------------------|
| Restricted for Community Development Projects:                                |                            |
| Housing Authority   | \$ 569,481                 |
| C.I.P. 2010 Bond  | 5,348,356                  |
| Total   | <u>\$ 5,917,837</u>        |
| Restricted for Public Works:  |                            |
| Gas Tax   | 1,789,416                  |
| Prop A Tax  | 323,877                    |
| Total   | <u>2,113,293</u>           |
| Restricted for Public Safety:   |                            |
| Supplemental Law Enforcement  | 5,508                      |
| Local Law Enforcement Block Grant   | 20,376                     |
| Traffic Safety  | 110                        |
| Total   | <u>25,994</u>              |
| Restricted for Parks and Recreation:  |                            |
| Park Grants   | 91                         |
| Parks Maintenance   | 267,669                    |
| Total   | <u>267,760</u>             |
| <b>Total Restricted Component of Net Position -<br/>Government Activities</b> | <b><u>\$ 8,324,884</u></b> |

CITY OF IMPERIAL BEACH

MISCELLANEOUS "CLASSIC" PLAN  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

---

|   | <u>2015</u>   |
|---|---------------|
| Proportion of the Net Pension Liability   | 0.14275%      |
| Proportionate Share of the Net Pension Liability  | \$ 3,528,096  |
| Covered-Employee Payroll  | \$ 2,691,089  |
| Proportionate Share of the Net Pension Liability as<br>Percentage of Covered-Employee Payroll | 131.10%       |
| Plan Fiduciary Net Position   | \$ 20,526,143 |
| Plan Fiduciary Net Position as a Percentage of the Total<br>Pension Liability                 | 85.33%        |

**Notes to Schedule:**

Benefit Changes:

These figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes of Assumptions:

None

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF IMPERIAL BEACH

PEPRA MISCELLANEOUS PLAN  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

---

|   | <u>2015</u> |
|---|-------------|
| Proportion of the Net Pension Liability   | 0.00004%    |
| Proportionate Share of the Net Pension Liability  | \$ 1,066    |
| Covered-Employee Payroll  | \$ 210,443  |
| Proportionate Share of the Net Pension Liability as<br>Percentage of Covered-Employee Payroll | 0.51%       |
| Plan Fiduciary Net Position   | \$ 5,216    |
| Plan Fiduciary Net Position as a Percentage of the Total<br>Pension Liability                 | 83.03%      |

**Notes to Schedule:**

Benefit Changes:

These figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes of Assumptions:

None

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF IMPERIAL BEACH

MISCELLANEOUS SECOND TIER PLAN  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

---

|   | <u>2015</u> |
|---|-------------|
| Proportion of the Net Pension Liability   | 0.00004%    |
| Proportionate Share of the Net Pension Liability  | \$ 5,461    |
| Covered-Employee Payroll  | \$ 175,213  |
| Proportionate Share of the Net Pension Liability as<br>Percentage of Covered-Employee Payroll | 3.12%       |
| Plan Fiduciary Net Position   | \$ 26,719   |
| Plan Fiduciary Net Position as a Percentage of the Total<br>Pension Liability                 | 83.03%      |

**Notes to Schedule:**

Benefit Changes:

These figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes of Assumptions:

None

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF IMPERIAL BEACH

**SAFETY LIFEGUARD PLAN  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

---

|   | <u>2015</u> |
|---|-------------|
| Proportion of the Net Pension Liability   | 0.00404%    |
| Proportionate Share of the Net Pension Liability  | \$ 151,355  |
| Covered-Employee Payroll  | \$ 219,724  |
| Proportionate Share of the Net Pension Liability as<br>Percentage of Covered-Employee Payroll | 68.88%      |
| Plan Fiduciary Net Position   | \$ 755,085  |
| Plan Fiduciary Net Position as a Percentage of the Total<br>Pension Liability                 | 68.88%      |

**Notes to Schedule:**

Benefit Changes:

These figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes of Assumptions:

None

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF IMPERIAL BEACH

**SAFETY LIFEGUARD SECOND TIER PLAN  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

---

|   | <u>2015</u> |
|---|-------------|
| Proportion of the Net Pension Liability   | 0.14275%    |
| Proportionate Share of the Net Pension Liability  | \$ 5,535    |
| Covered-Employee Payroll  | \$ 124,525  |
| Proportionate Share of the Net Pension Liability as<br>Percentage of Covered-Employee Payroll | 4.44%       |
| Plan Fiduciary Net Position   | \$ 24,252   |
| Plan Fiduciary Net Position as a Percentage of the Total<br>Pension Liability                 | 81.42%      |

**Notes to Schedule:**

Benefit Changes:

These figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes of Assumptions:

None

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF IMPERIAL BEACH

**SAFETY FIRE PLAN  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

---

|   | <u>2015</u>   |
|---|---------------|
| Proportion of the Net Pension Liability   | 0.06672%      |
| Proportionate Share of the Net Pension Liability  | \$ 2,502,612  |
| Covered-Employee Payroll  | \$ 866,313    |
| Proportionate Share of the Net Pension Liability as<br>Percentage of Covered-Employee Payroll | 288.88%       |
| Plan Fiduciary Net Position   | \$ 12,573,801 |
| Plan Fiduciary Net Position as a Percentage of the Total<br>Pension Liability                 | 288.88%       |

**Notes to Schedule:**

Benefit Changes:

These figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes of Assumptions:

None

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

**CITY OF IMPERIAL BEACH**

**MISCELLANEOUS "CLASSIC" PLAN  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

|   | <u>2015</u>  |
|---|--------------|
| Actuarially Determined Contribution                                 | \$ 376,864   |
| Contribution in Relation to the Actuarially Determined Contribution | (376,864)    |
| Contribution Deficiency (Excess)                                    | <u>\$ -</u>  |
| Covered-Employee Payroll  | \$ 2,691,089 |
| Contributions as a Percentage of Covered-Employee Payroll           | 14.00%       |

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

**Note to Schedule:**

|   |  |
|---|--|
| Valuation Date:   | June 30, 2012  |
| Methods and assumptions used to determine contribution rates: |  |
| Single and Agent Employers Example                            | Entry age normal   |
| Amortization method   | Level percentage of payroll, closed                              |
| Remaining amortization period                                 | 15 years   |
| Assets valuation method                                       | 5-year smoothed market   |
| Inflation   | 2.75%  |
| Salary Increases  | Varies by Entry Age and Service                                  |
| Investment rate of return                                     | 7.5% net of pension plan investment expense, including inflation |
| Retirement age  | 50 Years   |
| Mortality   | Derived using CalPERS Membership Data for all Funds              |

**CITY OF IMPERIAL BEACH**

**PEPRA MISCELLANEOUS PLAN  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

|   | <u>2015</u> |
|---|-------------|
| Actuarially Determined Contribution                                 | \$ 18,195   |
| Contribution in Relation to the Actuarially Determined Contribution | (18,195)    |
| Contribution Deficiency (Excess)                                    | <u>\$ -</u> |
| Covered-Employee Payroll  | \$ 210,443  |
| Contributions as a Percentage of Covered-Employee Payroll           | 8.65%       |

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

**Note to Schedule:**

|   |  |
|---|--|
| Valuation Date:   | June 30, 2012  |
| Methods and assumptions used to determine contribution rates: |  |
| Single and Agent Employers Example                            | Entry age normal   |
| Amortization method   | Level percentage of payroll, closed                              |
| Remaining amortization period                                 | 15 years   |
| Assets valuation method                                       | 5-year smoothed market   |
| Inflation   | 2.75%  |
| Salary Increases  | Varies by Entry Age and Service                                  |
| Investment rate of return                                     | 7.5% net of pension plan investment expense, including inflation |
| Retirement age  | 52 years   |
| Mortality   | Derived using CalPERS Membership Data for all Funds              |

**CITY OF IMPERIAL BEACH**

**MISCELLANEOUS SECOND TIER PLAN  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

|   | <u>2015</u> |
|---|-------------|
| Actuarially Determined Contribution                                 | \$ 17,761   |
| Contribution in Relation to the Actuarially Determined Contribution | (17,761)    |
| Contribution Deficiency (Excess)                                    | <u>\$ -</u> |
| <br>  |             |
| Covered-Employee Payroll  | \$ 175,213  |
| <br>  |             |
| Contributions as a Percentage of Covered-Employee Payroll           | 10.14%      |

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

**Note to Schedule:**

|   |  |
|---|--|
| Valuation Date:   | June 30, 2012  |
| Methods and assumptions used to determine contribution rates: |  |
| Single and Agent Employers Example                            | Entry age normal   |
| Amortization method   | Level percentage of payroll, closed                              |
| Remaining amortization period                                 | 15 years   |
| Assets valuation method                                       | 5-year smoothed market   |
| Inflation   | 2.75%  |
| Salary Increases  | Varies by Entry Age and Service                                  |
| Investment rate of return                                     | 7.5% net of pension plan investment expense, including inflation |
| <br>  |  |
| Retirement age  | 50 Years   |
| <br>  |  |
| Mortality   | Derived using CalPERS Membership Data for all Funds              |

**CITY OF IMPERIAL BEACH**

**SAFETY LIFEGUARD PLAN  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

|   | <u><b>2015</b></u> |
|---|--------------------|
| Actuarially Determined Contribution                                 | \$ 45,251          |
| Contribution in Relation to the Actuarially Determined Contribution | (45,251)           |
| Contribution Deficiency (Excess)                                    | <u>\$ -</u>        |
| <br>  |                    |
| Covered-Employee Payroll  | \$ 219,724         |
| <br>  |                    |
| Contributions as a Percentage of Covered-Employee Payroll           | 20.59%             |

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

**Note to Schedule:**

|   |  |
|---|--|
| Valuation Date:   | June 30, 2012  |
| Methods and assumptions used to determine contribution rates: |  |
| Single and Agent Employers Example                            | Entry age normal   |
| Amortization method   | Level percentage of payroll, closed                              |
| Remaining amortization period                                 | 15 years   |
| Assets valuation method                                       | 5-year smoothed market   |
| Inflation   | 2.75%  |
| Salary Increases  | Varies by Entry Age and Service                                  |
| Investment rate of return                                     | 7.5% net of pension plan investment expense, including inflation |
| <br>  |  |
| Retirement age  | 50 Years   |
| <br>  |  |
| Mortality   | Derived using CalPERS Membership Data for all Funds              |

**CITY OF IMPERIAL BEACH**

**SAFETY LIFEGUARD SECOND TIER PLAN  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

|   | <u>2015</u> |
|---|-------------|
| Actuarially Determined Contribution                                 | \$ 21,165   |
| Contribution in Relation to the Actuarially Determined Contribution | (21,165)    |
| Contribution Deficiency (Excess)                                    | <u>\$ -</u> |
| Covered-Employee Payroll  | \$ 124,525  |
| Contributions as a Percentage of Covered-Employee Payroll           | 17.00%      |

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

**Note to Schedule:**

|   |   |
|---|---|
| Valuation Date:   | June 30, 2012   |
| Methods and assumptions used to determine contribution rates: |   |
| Single and Agent Employers Example                            | Entry age normal  |
| Amortization method   | Level percentage of payroll, closed                                 |
| Remaining amortization period                                 | 15 years  |
| Assets valuation method                                       | 5-year smoothed market  |
| Inflation   | 2.75%   |
| Salary Increases  | Varies by Entry Age and Service                                     |
| Investment rate of return                                     | 7.5% net of pension plan investment expense,<br>including inflation |
| Retirement age  | 50 Years  |
| Mortality   | Derived using CalPERS<br>Membership Data for all Funds              |

**CITY OF IMPERIAL BEACH**

**SAFETY FIRE PLAN  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

|   | <u>2015</u> |
|---|-------------|
| Actuarially Determined Contribution                                 | \$ 193,079  |
| Contribution in Relation to the Actuarially Determined Contribution | (193,079)   |
| Contribution Deficiency (Excess)                                    | <u>\$ -</u> |
| <br>  |             |
| Covered-Employee Payroll  | \$ 866,313  |
| <br>  |             |
| Contributions as a Percentage of Covered-Employee Payroll           | 22.29%      |

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

**Note to Schedule:**

|   |   |
|---|---|
| Valuation Date:   | June 30, 2012   |
| Methods and assumptions used to determine contribution rates: |   |
| Single and Agent Employers Example                            | Entry age normal  |
| Amortization method   | Level percentage of payroll, closed                                 |
| Remaining amortization period                                 | 15 years  |
| Assets valuation method                                       | 5-year smoothed market  |
| Inflation   | 2.75%   |
| Salary Increases  | Varies by Entry Age and Service                                     |
| Investment rate of return                                     | 7.5% net of pension plan investment expense,<br>including inflation |
| <br>  |   |
| Retirement age  | 50 Years  |
| <br>  |   |
| Mortality   | Derived using CalPERS<br>Membership Data for all Funds              |

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE BY DEPARTMENT  
GENERAL FUND  
YEAR ENDED JUNE 30, 2015**

|  | Budget Amounts       |                      | Actual<br>Amounts    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|----------------------|----------------------|----------------------|---|
|  | Original             | Final                |                      |   |
| Budgetary Fund Balance, July 1             | \$ 15,608,764        | \$ 15,608,764        | \$ 15,608,764        | \$ -  |
| <b>Resources (Inflows):</b>                |                      |                      |                      |   |
| Taxes                                      | 8,316,575            | 8,566,575            | 8,670,573            | 103,998   |
| Licenses and permits                       | 536,100              | 536,100              | 586,600              | 50,500  |
| Intergovernmental                          | 140,000              | 419,603              | 544,505              | 124,902   |
| Charges for services                       | 7,051,579            | 7,309,029            | 7,243,548            | (65,481)  |
| Use of money and property                  | 457,000              | 457,000              | 421,139              | (35,861)  |
| Fines and forfeitures                      | 149,500              | 149,500              | 143,437              | (6,063)   |
| Miscellaneous                              | 515,000              | 265,000              | 137,280              | (127,720)   |
| Transfers in                               | 884,065              | 884,065              | 797,400              | (86,665)  |
| <b>Amounts Available for Appropriation</b> | <b>33,658,583</b>    | <b>34,195,636</b>    | <b>34,153,246</b>    | <b>(42,390)</b>   |
| <b>Charges to Appropriation (Outflow):</b> |                      |                      |                      |   |
| General government                         |                      |                      |                      |   |
| Mayor/City Council                         | 170,004              | 173,104              | 176,766              | (3,662)   |
| City Clerk's Office                        | 360,148              | 307,148              | 287,708              | 19,440  |
| City Manager                               | 367,219              | 470,581              | 424,853              | 45,728  |
| Economic Development                       | 105,896              | 102,796              | 91,315               | 11,481  |
| Human Resources                            | 185,242              | 287,740              | 276,844              | 10,896  |
| Administrative Services                    | 520,996              | 618,737              | 602,483              | 16,254  |
| City Attorney                              | 205,000              | 153,074              | 151,623              | 1,451   |
| Community Development                      | 519,658              | 583,745              | 553,716              | 30,029  |
| Treasury                                   | 119,489              | 74,384               | 74,016               | 368   |
| Facilities Maintenance                     | 283,167              | 264,927              | 245,094              | 19,833  |
| Non-Departmental                           | 291,058              | 317,458              | 276,770              | 40,688  |
| Public safety                              |                      |                      |                      |   |
| Law Enforcement Contract                   | 6,642,671            | 6,489,167            | 6,432,740            | 56,427  |
| Fire Protection                            | 2,231,268            | 2,686,655            | 2,679,358            | 7,297   |
| Ocean/Beach Safety                         | 1,449,823            | 1,461,743            | 1,448,538            | 13,205  |
| Building and Housing Inspection            | 354,844              | 343,955              | 327,783              | 16,172  |
| Animal Control                             | 282,029              | 294,129              | 290,597              | 3,532   |
| Code Enforcement                           | 189,497              | 176,478              | 173,240              | 3,238   |
| AVA Program                                | 8,182                | -                    | -                    | -   |
| Parks and recreation                       |                      |                      |                      |   |
| Recreation                                 | 50,000               | 50,856               | 47,655               | 3,201   |
| Park Maintenance                           | 461,579              | 455,709              | 454,512              | 1,197   |
| Senior Services                            | 101,548              | 101,548              | 91,191               | 10,357  |
| Tideland Maintenance                       | 926,863              | 929,579              | 918,303              | 11,276  |
| Public works                               |                      |                      |                      |   |
| Street Maintenance                         | 1,036,163            | 1,033,883            | 1,033,560            | 323   |
| Administration                             | 615,493              | 642,812              | 619,236              | 23,576  |
| Solid Waste Management                     | 85,142               | 267,596              | 215,407              | 52,189  |
| Storm Water                                | 343,507              | 347,107              | 320,162              | 26,945  |
| Tidelands Maintenance                      | -                    | -                    | 5                    | (5)   |
| Capital outlay                             | 15,000               | 150,783              | 178,286              | (27,503)  |
| Transfers out                              | 17,800               | 229,245              | 254,247              | (25,002)  |
| <b>Total Charges to Appropriations</b>     | <b>17,939,286</b>    | <b>19,014,939</b>    | <b>18,646,008</b>    | <b>368,931</b>  |
| <b>Budgetary Fund Balance, June 30</b>     | <b>\$ 15,719,297</b> | <b>\$ 15,180,697</b> | <b>\$ 15,507,238</b> | <b>\$ 326,541</b>                                       |

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE  
 HOUSING AUTHORITY  
 YEAR ENDED JUNE 30, 2015

|   | Budget Amounts    |                   | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------|-------------------|-------------------|---|
|   | Original          | Final             |                   |   |
| Budgetary Fund Balance, July 1              | \$ 610,922        | \$ 610,922        | \$ 610,922        | \$ -  |
| <b>Resources (Inflows):</b>                 |                   |                   |                   |   |
| Use of money and property                   | -                 | -                 | 3,436             | 3,436   |
| Transfers in                                | -                 | 229,245           | 246,114           | 16,869  |
| <b>Amounts Available for Appropriations</b> | <b>610,922</b>    | <b>840,167</b>    | <b>860,472</b>    | <b>20,305</b>   |
| <b>Charges to Appropriation (Outflow):</b>  |                   |                   |                   |   |
| Community development                       | -                 | 333,131           | 274,122           | 59,009  |
| Transfers out                               | -                 | 16,869            | 16,869            | -   |
| <b>Total Charges to Appropriations</b>      | <b>-</b>          | <b>350,000</b>    | <b>290,991</b>    | <b>59,009</b>   |
| <b>Budgetary Fund Balance, June 30</b>      | <b>\$ 610,922</b> | <b>\$ 490,167</b> | <b>\$ 569,481</b> | <b>\$ 79,314</b>  |

**Note 1: General Budget Policies**

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

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

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

Budgets for the General Fund and Special Revenue Funds are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. Appropriations for capital projects authorized but not constructed or completed during the year are carried forward as continuing appropriations into the following year's budget.

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, 2015, based on calculations by City staff, proceeds of taxes did not exceed appropriations. Further, Section 5 of Article XIII-B allows the City to designate a portion of fund balance for general contingencies to be used for any purpose.

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

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

CITY OF IMPERIAL BEACH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
JUNE 30, 2015

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Note 1: General Budget Policies (Continued)

a. Excess of Expenditures Over Appropriations

Excess expenditures over appropriations were as follows:

|                       | <u>Expenditures</u> | <u>Appropriations</u> | <u>Excess</u> |
|-----------------------|---------------------|-----------------------|---------------|
| General Fund:         |                     |                       |               |
| General government    |                     |                       |               |
| Mayor/City Council    | \$ 176,766          | \$ 173,104            | \$ 3,662      |
| Public Works:         |                     |                       |               |
| Tidelands Maintenance | \$ 5                | \$ -                  | \$ 5          |
| Capital Outlay        | 178,286             | 150,783               | 27,503        |
| Transfers out         | 254,247             | 229,245               | 25,002        |

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CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

|  | <u>Special Revenue Funds</u> |                          |                                     |                    |
|--|------------------------------|--------------------------|-------------------------------------|--------------------|
|  | <u>Gas Tax</u>               | <u>Prop A Tax</u>        | <u>Residential<br/>Construction</u> | <u>CDBG Grant</u>  |
| <b>Assets:</b>                             |                              |                          |                                     |                    |
| Pooled cash and investments                | \$ 1,803,604                 | \$ 330,613               | \$ -                                | \$ -               |
| Due from other governments                 | -                            | -                        | -                                   | -                  |
| <b>Total Assets</b>                        | <b><u>\$ 1,803,604</u></b>   | <b><u>\$ 330,613</u></b> | <b><u>\$ -</u></b>                  | <b><u>\$ -</u></b> |
| <b>Liabilities and Fund Balances:</b>      |                              |                          |                                     |                    |
| <b>Liabilities:</b>                        |                              |                          |                                     |                    |
| Accounts payable                           | \$ 12,699                    | \$ 4,910                 | \$ -                                | \$ -               |
| Accrued liabilities                        | 1,489                        | 1,826                    | -                                   | -                  |
| Due to other governments                   | -                            | -                        | -                                   | -                  |
| Due to other funds                         | -                            | -                        | -                                   | -                  |
| <b>Total Liabilities</b>                   | <b><u>14,188</u></b>         | <b><u>6,736</u></b>      | <b><u>-</u></b>                     | <b><u>-</u></b>    |
| <b>Fund Balances:</b>                      |                              |                          |                                     |                    |
| <b>Restricted for:</b>                     |                              |                          |                                     |                    |
| Public safety                              | -                            | -                        | -                                   | -                  |
| Parks and recreation                       | -                            | -                        | -                                   | -                  |
| Public works                               | 1,789,416                    | 323,877                  | -                                   | -                  |
| <b>Unassigned</b>                          | <b><u>-</u></b>              | <b><u>-</u></b>          | <b><u>-</u></b>                     | <b><u>-</u></b>    |
| <b>Total Fund Balances</b>                 | <b><u>1,789,416</u></b>      | <b><u>323,877</u></b>    | <b><u>-</u></b>                     | <b><u>-</u></b>    |
| <b>Total Liabilities and Fund Balances</b> | <b><u>\$ 1,803,604</u></b>   | <b><u>\$ 330,613</u></b> | <b><u>\$ -</u></b>                  | <b><u>\$ -</u></b> |

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

|  | <b>Special Revenue Funds</b>                |  |                                  |                                |
|--|---|--|----------------------------------|--------------------------------|
|  | <b>Supplemental<br/>Law<br/>Enforcement</b> | <b>Local Law<br/>Enforcement<br/>Block Grant</b> | <b>Lighting<br/>District #67</b> | <b>Traffic Safety<br/>Fund</b> |
| <b>Assets:</b>                             |   |  |                                  |                                |
| Pooled cash and investments                | \$ 15,965                                   | \$ 20,376  | \$ 446                           | \$ 110                         |
| Due from other governments                 | 25,000                                      | -  | 951                              | -                              |
| <b>Total Assets</b>                        | <b>\$ 40,965</b>                            | <b>\$ 20,376</b>                                 | <b>\$ 1,397</b>                  | <b>\$ 110</b>                  |
| <b>Liabilities and Fund Balances:</b>      |   |  |                                  |                                |
| <b>Liabilities:</b>                        |   |  |                                  |                                |
| Accounts payable                           | \$ 35,457                                   | \$ -   | \$ 4,670                         | \$ -                           |
| Accrued liabilities                        | -   | -  | -                                | -                              |
| Due to other governments                   | -   | -  | -                                | -                              |
| Due to other funds                         | -   | -  | -                                | -                              |
| <b>Total Liabilities</b>                   | <b>35,457</b>                               | <b>-</b>   | <b>4,670</b>                     | <b>-</b>                       |
| <b>Fund Balances:</b>                      |   |  |                                  |                                |
| <b>Restricted for:</b>                     |   |  |                                  |                                |
| Public safety                              | 5,508                                       | 20,376   | -                                | 110                            |
| Parks and recreation                       | -   | -  | -                                | -                              |
| Public works                               | -   | -  | -                                | -                              |
| <b>Unassigned</b>                          | <b>-</b>                                    | <b>-</b>   | <b>(3,273)</b>                   | <b>-</b>                       |
| <b>Total Fund Balances</b>                 | <b>5,508</b>                                | <b>20,376</b>                                    | <b>(3,273)</b>                   | <b>110</b>                     |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 40,965</b>                            | <b>\$ 20,376</b>                                 | <b>\$ 1,397</b>                  | <b>\$ 110</b>                  |

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

|  | Special             | Capital Projects Fund |                             | Total<br>Governmental<br>Funds |
|--|---------------------|-----------------------|-----------------------------|--------------------------------|
|  | Revenue Funds       |                       |                             |                                |
|  | Parks Grant<br>Fund | Capital<br>Projects   | Parks<br>Maintenance<br>CIP |                                |
| <b>Assets:</b>                             |                     |                       |                             |                                |
| Pooled cash and investments                | \$ 91               | \$ -                  | \$ 267,675                  | \$ 2,438,880                   |
| Due from other governments                 | -                   | 185,480               | -                           | 211,431                        |
| <b>Total Assets</b>                        | <b>\$ 91</b>        | <b>\$ 185,480</b>     | <b>\$ 267,675</b>           | <b>\$ 2,650,311</b>            |
| <b>Liabilities and Fund Balances:</b>      |                     |                       |                             |                                |
| <b>Liabilities:</b>                        |                     |                       |                             |                                |
| Accounts payable                           | \$ -                | \$ 37,654             | \$ 6                        | \$ 95,396                      |
| Accrued liabilities                        | -                   | 660                   | -                           | 3,975                          |
| Due to other governments                   | -                   | -                     | -                           | -                              |
| Due to other funds                         | -                   | 183,594               | -                           | 183,594                        |
| <b>Total Liabilities</b>                   | <b>-</b>            | <b>221,908</b>        | <b>6</b>                    | <b>282,965</b>                 |
| <b>Fund Balances:</b>                      |                     |                       |                             |                                |
| <b>Restricted for:</b>                     |                     |                       |                             |                                |
| Public safety                              | -                   | -                     | -                           | 25,994                         |
| Parks and recreation                       | 91                  | -                     | 267,669                     | 267,760                        |
| Public works                               | -                   | -                     | -                           | 2,113,293                      |
| <b>Unassigned</b>                          | <b>-</b>            | <b>(36,428)</b>       | <b>-</b>                    | <b>(39,701)</b>                |
| <b>Total Fund Balances</b>                 | <b>91</b>           | <b>(36,428)</b>       | <b>267,669</b>              | <b>2,367,346</b>               |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 91</b>        | <b>\$ 185,480</b>     | <b>\$ 267,675</b>           | <b>\$ 2,650,311</b>            |

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CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

|  | Special Revenue Funds |                   |                             |               |
|--|-----------------------|-------------------|-----------------------------|---------------|
|  | Gas Tax               | Prop A Tax        | Residential<br>Construction | CDBG Grant    |
| <b>Revenues:</b>   |                       |                   |                             |               |
| Assessments  | \$ -                  | \$ -              | \$ -                        | \$ -          |
| Intergovernmental  | 734,774               | 908,000           | -                           | -             |
| Charges for services   | -                     | 43,269            | 18,300                      | -             |
| Use of money and property                                    | 14,507                | 1,980             | 1,225                       | -             |
| <b>Total Revenues</b>  | <b>749,281</b>        | <b>953,249</b>    | <b>19,525</b>               | <b>-</b>      |
| <b>Expenditures:</b>   |                       |                   |                             |               |
| Current:   |                       |                   |                             |               |
| General government   | 512,601               | -                 | -                           | -             |
| Parks and recreation   | -                     | -                 | -                           | -             |
| Public works   | 1,147                 | 29,115            | -                           | -             |
| Capital outlay   | -                     | 667,105           | -                           | -             |
| <b>Total Expenditures</b>                                    | <b>513,748</b>        | <b>696,220</b>    | <b>-</b>                    | <b>-</b>      |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 235,533               | 257,029           | 19,525                      | -             |
| <b>Other Financing Sources (Uses):</b>                       |                       |                   |                             |               |
| Transfers in   | -                     | -                 | -                           | 25,002        |
| Transfers out  | (600,000)             | (197,400)         | (261,431)                   | -             |
| <b>Total Other Financing Sources<br/>(Uses)</b>              | <b>(600,000)</b>      | <b>(197,400)</b>  | <b>(261,431)</b>            | <b>25,002</b> |
| Net Change in Fund Balances                                  | (364,467)             | 59,629            | (241,906)                   | 25,002        |
| Fund Balances, Beginning of Year                             | 2,153,883             | 264,248           | 241,906                     | (25,002)      |
| <b>Fund Balances, End of Year</b>                            | <b>\$ 1,789,416</b>   | <b>\$ 323,877</b> | <b>\$ -</b>                 | <b>\$ -</b>   |

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

|  | Special Revenue Funds              |   |                          |                        |
|--|------------------------------------|---|--------------------------|------------------------|
|  | Supplemental<br>Law<br>Enforcement | Local Law<br>Enforcement<br>Block Grant | Lighting<br>District #67 | Traffic Safety<br>Fund |
| <b>Revenues:</b>   |                                    |   |                          |                        |
| Assessments  | \$ -                               | \$ -                                    | \$ 10,996                | \$ -                   |
| Intergovernmental  | 106,230                            | -                                       | -                        | -                      |
| Charges for services   | -                                  | -                                       | -                        | -                      |
| Use of money and property                                    | -                                  | -                                       | 36                       | -                      |
| <b>Total Revenues</b>  | <b>106,230</b>                     | <b>-</b>                                | <b>11,032</b>            | <b>-</b>               |
| <b>Expenditures:</b>   |                                    |   |                          |                        |
| Current:   |                                    |   |                          |                        |
| General government   | -                                  | -                                       | -                        | -                      |
| Parks and recreation   | -                                  | -                                       | 27,506                   | -                      |
| Public works   | -                                  | -                                       | -                        | -                      |
| Capital outlay   | -                                  | -                                       | -                        | -                      |
| <b>Total Expenditures</b>                                    | <b>100,020</b>                     | <b>-</b>                                | <b>27,506</b>            | <b>-</b>               |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 6,210                              | -                                       | (16,474)                 | -                      |
| <b>Other Financing Sources (Uses):</b>                       |                                    |   |                          |                        |
| Transfers in   | -                                  | -                                       | -                        | -                      |
| Transfers out  | -                                  | -                                       | -                        | -                      |
| <b>Total Other Financing Sources<br/>(Uses)</b>              | <b>-</b>                           | <b>-</b>                                | <b>-</b>                 | <b>-</b>               |
| Net Change in Fund Balances                                  | 6,210                              | -                                       | (16,474)                 | -                      |
| Fund Balances, Beginning of Year                             | (702)                              | 20,376                                  | 13,201                   | 110                    |
| <b>Fund Balances, End of Year</b>                            | <b>\$ 5,508</b>                    | <b>\$ 20,376</b>                        | <b>\$ (3,273)</b>        | <b>\$ 110</b>          |

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

|  | Special             | Capital Projects Fund |                             | Total<br>Governmental<br>Funds |
|--|---------------------|-----------------------|-----------------------------|--------------------------------|
|  | Revenue Funds       |                       |                             |                                |
|  | Parks Grant<br>Fund | Capital<br>Projects   | Parks<br>Maintenance<br>CIP |                                |
| <b>Revenues:</b>   |                     |                       |                             |                                |
| Assessments  | \$ -                | \$ -                  | \$ -                        | \$ 10,996                      |
| Intergovernmental  | -                   | 334,658               | -                           | 2,083,662                      |
| Charges for services   | -                   | -                     | 6,000                       | 67,569                         |
| Use of money and property                                    | -                   | (27)                  | 244                         | 17,965                         |
| <b>Total Revenues</b>  | <b>-</b>            | <b>334,631</b>        | <b>6,244</b>                | <b>2,180,192</b>               |
| <b>Expenditures:</b>   |                     |                       |                             |                                |
| Current:   |                     |                       |                             |                                |
| General government   | -                   | 216,068               | -                           | 728,669                        |
| Parks and recreation   | -                   | -                     | -                           | 27,506                         |
| Public works   | -                   | -                     | -                           | 30,262                         |
| Capital outlay   | -                   | 122,420               | -                           | 789,525                        |
| <b>Total Expenditures</b>                                    | <b>-</b>            | <b>338,488</b>        | <b>-</b>                    | <b>1,675,982</b>               |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | -                   | (3,857)               | 6,244                       | 504,210                        |
| <b>Other Financing Sources (Uses):</b>                       |                     |                       |                             |                                |
| Transfers in   | -                   | -                     | 261,431                     | 286,433                        |
| Transfers out  | -                   | -                     | -                           | (1,058,831)                    |
| <b>Total Other Financing Sources<br/>(Uses)</b>              | <b>-</b>            | <b>-</b>              | <b>261,431</b>              | <b>(772,398)</b>               |
| Net Change in Fund Balances                                  | -                   | (3,857)               | 267,675                     | (268,188)                      |
| Fund Balances, Beginning of Year                             | 91                  | (32,571)              | (6)                         | 2,635,534                      |
| <b>Fund Balances, End of Year</b>                            | <b>\$ 91</b>        | <b>\$ (36,428)</b>    | <b>\$ 267,669</b>           | <b>\$ 2,367,346</b>            |

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE  
 GAS TAX  
 YEAR ENDED JUNE 30, 2015

|   | Budget Amounts      |                     | Actual<br>Amounts   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|---|
|   | Original            | Final               |                     |   |
| Budgetary Fund Balance, July 1              | \$ 2,153,883        | \$ 2,153,883        | \$ 2,153,883        | \$ -  |
| <b>Resources (Inflows):</b>                 |                     |                     |                     |   |
| Intergovernmental                           | 790,801             | 790,801             | 734,774             | (56,027)  |
| Use of money and property                   | 18,000              | 18,000              | 14,507              | (3,493)   |
| <b>Amounts Available for Appropriations</b> | <b>2,962,684</b>    | <b>2,962,684</b>    | <b>2,903,164</b>    | <b>(59,520)</b>   |
| <b>Charges to Appropriation (Outflow):</b>  |                     |                     |                     |   |
| General government                          | 37,140              | 678,600             | 512,601             | 165,999   |
| Public works                                | 83,491              | 83,891              | 1,147               | 82,744  |
| Transfers out                               | 688,170             | 688,170             | 600,000             | 88,170  |
| <b>Total Charges to Appropriations</b>      | <b>808,801</b>      | <b>1,450,661</b>    | <b>1,113,748</b>    | <b>336,913</b>  |
| <b>Budgetary Fund Balance, June 30</b>      | <b>\$ 2,153,883</b> | <b>\$ 1,512,023</b> | <b>\$ 1,789,416</b> | <b>\$ 277,393</b>                                       |

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE  
 PROP A TAX  
 YEAR ENDED JUNE 30, 2015

|   | Budget Amounts    |                    | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------|--------------------|-------------------|---|
|   | Original          | Final              |                   |   |
| Budgetary Fund Balance, July 1              | \$ 264,248        | \$ 264,248         | \$ 264,248        | \$ -  |
| <b>Resources (Inflows):</b>                 |                   |                    |                   |   |
| Intergovernmental                           | 653,849           | 653,849            | 908,000           | 254,151   |
| Charges for services                        | 12,400            | 12,400             | 43,269            | 30,869  |
| Use of money and property                   | 14,000            | 14,000             | 1,980             | (12,020)  |
| <b>Amounts Available for Appropriations</b> | <b>944,497</b>    | <b>944,497</b>     | <b>1,217,497</b>  | <b>273,000</b>  |
| <b>Charges to Appropriation (Outflow):</b>  |                   |                    |                   |   |
| Public works                                | 26,500            | 73,145             | 29,115            | 44,030  |
| Capital outlay                              | 457,765           | 715,350            | 667,105           | 48,245  |
| Transfers out                               | 195,895           | 197,400            | 197,400           | -   |
| <b>Total Charges to Appropriations</b>      | <b>680,160</b>    | <b>985,895</b>     | <b>893,620</b>    | <b>92,275</b>   |
| <b>Budgetary Fund Balance, June 30</b>      | <b>\$ 264,337</b> | <b>\$ (41,398)</b> | <b>\$ 323,877</b> | <b>\$ 365,275</b>                                       |

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE  
 RESIDENTIAL CONSTRUCTION  
 YEAR ENDED JUNE 30, 2015

|   | Budget Amounts    |                    | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------|--------------------|-------------------|---|
|   | Original          | Final              |                   |   |
| Budgetary Fund Balance, July 1              | \$ 241,906        | \$ 241,906         | \$ 241,906        | \$ -  |
| <b>Resources (Inflows):</b>                 |                   |                    |                   |   |
| Charges for services                        | 7,000             | 7,000              | 18,300            | 11,300  |
| Use of money and property                   | 2,000             | 2,000              | 1,225             | (775)   |
| <b>Amounts Available for Appropriations</b> | <b>250,906</b>    | <b>250,906</b>     | <b>261,431</b>    | <b>10,525</b>   |
| <b>Charges to Appropriation (Outflow):</b>  |                   |                    |                   |   |
| Transfers out                               | -                 | 261,431            | 261,431           | -   |
| <b>Total Charges to Appropriations</b>      | <b>-</b>          | <b>261,431</b>     | <b>261,431</b>    | <b>-</b>  |
| <b>Budgetary Fund Balance, June 30</b>      | <b>\$ 250,906</b> | <b>\$ (10,525)</b> | <b>\$ -</b>       | <b>\$ 10,525</b>  |

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE  
 SUPPLEMENTAL LAW ENFORCEMENT  
 YEAR ENDED JUNE 30, 2015

|   | Budget Amounts  |                 | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-----------------|-----------------|-------------------|---|
|   | Original        | Final           |                   |   |
| Budgetary Fund Balance, July 1              | \$ (702)        | \$ (702)        | \$ (702)          | \$ -  |
| <b>Resources (Inflows):</b>                 |                 |                 |                   |   |
| Intergovernmental                           | 100,000         | 100,000         | 106,230           | 6,230   |
| <b>Amounts Available for Appropriations</b> | <b>99,298</b>   | <b>99,298</b>   | <b>105,528</b>    | <b>6,230</b>  |
| <b>Charges to Appropriation (Outflow):</b>  |                 |                 |                   |   |
| Public safety                               | 100,000         | 100,000         | 100,020           | (20)  |
| <b>Total Charges to Appropriations</b>      | <b>100,000</b>  | <b>100,000</b>  | <b>100,020</b>    | <b>(20)</b>   |
| <b>Budgetary Fund Balance, June 30</b>      | <b>\$ (702)</b> | <b>\$ (702)</b> | <b>\$ 5,508</b>   | <b>\$ 6,210</b>   |

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE  
 LIGHTING DISTRICT #67  
 YEAR ENDED JUNE 30, 2015

|   | Budget Amounts   |                  | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|------------------|-------------------|---|
|   | Original         | Final            |                   |   |
| Budgetary Fund Balance, July 1              | \$ 13,201        | \$ 13,201        | \$ 13,201         | \$ -  |
| <b>Resources (Inflows):</b>                 |                  |                  |                   |   |
| Assessments                                 | 12,000           | 12,000           | 10,996            | (1,004)   |
| Use of money and property                   | 200              | 200              | 36                | (164)   |
| Transfers in                                | 17,800           | 17,800           | -                 | (17,800)  |
| <b>Amounts Available for Appropriations</b> | <b>43,201</b>    | <b>43,201</b>    | <b>24,233</b>     | <b>(18,968)</b>   |
| <b>Charges to Appropriation (Outflow):</b>  |                  |                  |                   |   |
| Parks and recreation                        | 30,000           | 30,000           | 27,506            | 2,494   |
| <b>Total Charges to Appropriations</b>      | <b>30,000</b>    | <b>30,000</b>    | <b>27,506</b>     | <b>2,494</b>  |
| <b>Budgetary Fund Balance, June 30</b>      | <b>\$ 13,201</b> | <b>\$ 13,201</b> | <b>\$ (3,273)</b> | <b>\$ (16,474)</b>                                      |

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL PROJECTS  
YEAR ENDED JUNE 30, 2015**

|   | <b>Budget Amounts</b> |                     | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-----------------------|---------------------|---------------------------|---|
|   | <b>Original</b>       | <b>Final</b>        |                           |   |
| Budgetary Fund Balance, July 1              | \$ (32,571)           | \$ (32,571)         | \$ (32,571)               | \$ -  |
| <b>Resources (Inflows):</b>                 |                       |                     |                           |   |
| Intergovernmental                           | -                     | 469,000             | 334,658                   | (134,342)   |
| Use of money and property                   | -                     | -                   | (27)                      | (27)  |
| Transfers in                                | -                     | 25,000              | -                         | (25,000)  |
| <b>Amounts Available for Appropriations</b> | <b>(32,571)</b>       | <b>461,429</b>      | <b>302,060</b>            | <b>(159,369)</b>  |
| <b>Charges to Appropriation (Outflow):</b>  |                       |                     |                           |   |
| General government                          | -                     | 483,394             | 216,068                   | 267,326   |
| Public works                                | -                     | 11,717              | -                         | 11,717  |
| Capital outlay                              | -                     | 525,900             | 122,420                   | 403,480   |
| <b>Total Charges to Appropriations</b>      | <b>-</b>              | <b>1,021,011</b>    | <b>338,488</b>            | <b>682,523</b>  |
| <b>Budgetary Fund Balance, June 30</b>      | <b>\$ (32,571)</b>    | <b>\$ (559,582)</b> | <b>\$ (36,428)</b>        | <b>\$ 523,154</b>   |

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE  
 C.I.P. 2010 BOND  
 YEAR ENDED JUNE 30, 2015

|   | Budget Amounts      |                     | Actual<br>Amounts   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|---|
|   | Original            | Final               |                     |   |
| Budgetary Fund Balance, July 1              | \$ 4,647,421        | \$ 4,647,421        | \$ 4,647,421        | \$ -  |
| <b>Resources (Inflows):</b>                 |                     |                     |                     |   |
| Use of money and property                   | -                   | -                   | 31,305              | 31,305  |
| Contributions from Successor Agency         | -                   | 1,274,584           | 1,274,584           | -   |
| <b>Amounts Available for Appropriations</b> | <b>4,647,421</b>    | <b>5,922,005</b>    | <b>5,953,310</b>    | <b>31,305</b>   |
| <b>Charges to Appropriation (Outflow):</b>  |                     |                     |                     |   |
| General government                          | -                   | 178,000             | 62,300              | 115,700   |
| Capital outlay                              | -                   | 1,291,877           | 542,654             | 749,223   |
| <b>Total Charges to Appropriations</b>      | <b>-</b>            | <b>1,469,877</b>    | <b>604,954</b>      | <b>864,923</b>  |
| <b>Budgetary Fund Balance, June 30</b>      | <b>\$ 4,647,421</b> | <b>\$ 4,452,128</b> | <b>\$ 5,348,356</b> | <b>\$ 896,228</b>                                       |

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2015

|  | Vehicle<br>Replacement &<br>Maintenance | Self-Insurance      | Technology &<br>Communication | Facilities<br>Repair &<br>Maintenance | Totals              |
|--|---|---------------------|-------------------------------|---------------------------------------|---------------------|
| <b>Assets:</b>                                   |   |                     |                               |                                       |                     |
| Current:   |   |                     |                               |                                       |                     |
| Cash and investments                             | \$ 892,258                              | \$ 3,016,100        | \$ 532,412                    | \$ 483,141                            | \$ 4,923,911        |
| Due from other governments                       | 20,901                                  | -                   | -                             | -                                     | 20,901              |
| <b>Total Current Assets</b>                      | <b>913,159</b>                          | <b>3,016,100</b>    | <b>532,412</b>                | <b>483,141</b>                        | <b>4,944,812</b>    |
| Noncurrent:                                      |   |                     |                               |                                       |                     |
| Capital assets - net of accumulated depreciation | 1,218,247                               | -                   | 63,899                        | -                                     | 1,282,146           |
| <b>Total Noncurrent Assets</b>                   | <b>1,218,247</b>                        | <b>-</b>            | <b>63,899</b>                 | <b>-</b>                              | <b>1,282,146</b>    |
| <b>Total Assets</b>                              | <b>2,131,406</b>                        | <b>3,016,100</b>    | <b>596,311</b>                | <b>483,141</b>                        | <b>6,226,958</b>    |
| <b>Deferred Outflows of Resources:</b>           |   |                     |                               |                                       |                     |
| Deferred pension related items                   | 22,554                                  | 4,511               | 18,043                        | -                                     | 45,108              |
| <b>Total Deferred Outflows of Resources</b>      | <b>22,554</b>                           | <b>4,511</b>        | <b>18,043</b>                 | <b>-</b>                              | <b>45,108</b>       |
| <b>Liabilities:</b>                              |   |                     |                               |                                       |                     |
| Current:   |   |                     |                               |                                       |                     |
| Accounts payable                                 | 14,178                                  | 15,962              | 86,031                        | -                                     | 116,171             |
| Accrued liabilities                              | 32,073                                  | 4,723               | 11,663                        | -                                     | 48,459              |
| Accrued compensated absences                     | 14,880                                  | 6,796               | 7,161                         | -                                     | 28,837              |
| Accrued claims and judgments                     | -                                       | 717,929             | -                             | -                                     | 717,929             |
| <b>Total Current Liabilities</b>                 | <b>61,131</b>                           | <b>745,410</b>      | <b>104,855</b>                | <b>-</b>                              | <b>911,396</b>      |
| Noncurrent:                                      |   |                     |                               |                                       |                     |
| Net pension liability                            | 176,732                                 | 35,347              | 141,385                       | -                                     | 353,464             |
| Accrued compensated absences                     | 29,465                                  | 3,268               | -                             | -                                     | 32,733              |
| Accrued claims and judgments                     | -                                       | 816,458             | -                             | -                                     | 816,458             |
| <b>Total Noncurrent Liabilities</b>              | <b>206,197</b>                          | <b>855,073</b>      | <b>141,385</b>                | <b>-</b>                              | <b>1,202,655</b>    |
| <b>Total Liabilities</b>                         | <b>267,328</b>                          | <b>1,600,483</b>    | <b>246,240</b>                | <b>-</b>                              | <b>2,114,051</b>    |
| <b>Deferred Inflows of Resources:</b>            |   |                     |                               |                                       |                     |
| Deferred pension related items                   | 78,117                                  | 15,623              | 62,494                        | -                                     | 156,234             |
| <b>Total Deferred Inflows of Resources</b>       | <b>78,117</b>                           | <b>15,623</b>       | <b>62,494</b>                 | <b>-</b>                              | <b>156,234</b>      |
| <b>Net Position:</b>                             |   |                     |                               |                                       |                     |
| Investment in capital assets                     | 1,218,247                               | -                   | 63,899                        | -                                     | 1,282,146           |
| Unrestricted                                     | 590,268                                 | 1,404,505           | 241,721                       | 483,141                               | 2,719,635           |
| <b>Total Net Position</b>                        | <b>\$ 1,808,515</b>                     | <b>\$ 1,404,505</b> | <b>\$ 305,620</b>             | <b>\$ 483,141</b>                     | <b>\$ 4,001,781</b> |

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2015

|   | Vehicle<br>Replacement &<br>Maintenance | Self-Insurance      | Technology &<br>Communication | Facilities Repair<br>& Maintenance | Totals              |
|---|---|---------------------|-------------------------------|------------------------------------|---------------------|
| <b>Operating Revenues:</b>                |   |                     |                               |                                    |                     |
| Sales and service charges                 | \$ 692,292                              | \$ 257,172          | \$ 467,940                    | \$ 138,996                         | \$ 1,556,400        |
| Miscellaneous                             | 129,248                                 | 101,469             | 6,862                         | -                                  | 237,579             |
| <b>Total Operating Revenues</b>           | <b>821,540</b>                          | <b>358,641</b>      | <b>474,802</b>                | <b>138,996</b>                     | <b>1,793,979</b>    |
| <b>Operating Expenses:</b>                |   |                     |                               |                                    |                     |
| Services and supplies                     | 269,993                                 | 457,233             | 224,105                       | 65,937                             | 1,017,268           |
| Claims expense                            | -                                       | 28,406              | -                             | -                                  | 28,406              |
| Depreciation expense                      | 213,609                                 | -                   | 27,832                        | -                                  | 241,441             |
| Personnel and administrative              | 363,252                                 | 87,631              | 203,373                       | -                                  | 654,256             |
| <b>Total Operating Expenses</b>           | <b>846,854</b>                          | <b>573,270</b>      | <b>455,310</b>                | <b>65,937</b>                      | <b>1,941,371</b>    |
| Operating Loss                            | (25,314)                                | (214,629)           | 19,492                        | 73,059                             | (147,392)           |
| <b>Nonoperating Revenues (Expenses):</b>  |   |                     |                               |                                    |                     |
| Interest revenue                          | 6,529                                   | 19,049              | 3,111                         | 2,916                              | 31,605              |
| Loss on disposal                          | (10,905)                                | -                   | -                             | -                                  | (10,905)            |
| <b>Total Nonoperating Revenues</b>        | <b>(4,376)</b>                          | <b>19,049</b>       | <b>3,111</b>                  | <b>2,916</b>                       | <b>20,700</b>       |
| Changes in Net Position                   | (29,690)                                | (195,580)           | 22,603                        | 75,975                             | (126,692)           |
| <b>Net Position:</b>                      |   |                     |                               |                                    |                     |
| Beginning of Year, as originally reported | 2,073,144                               | 1,647,073           | 470,968                       | 407,166                            | 4,598,351           |
| Restatements                              | (234,939)                               | (46,988)            | (187,951)                     | -                                  | (469,878)           |
| Beginning of Fiscal Year, as restated     | 1,838,205                               | 1,600,085           | 283,017                       | 407,166                            | 4,128,473           |
| <b>End of Fiscal Year</b>                 | <b>\$ 1,808,515</b>                     | <b>\$ 1,404,505</b> | <b>\$ 305,620</b>             | <b>\$ 483,141</b>                  | <b>\$ 4,001,781</b> |

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CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2015

|   | Vehicle<br>Replacement &<br>Maintenance | Self-Insurance      | Technology &<br>Communication | Facilities<br>Repair &<br>Maintenance | Totals              |
|---|---|---------------------|-------------------------------|---------------------------------------|---------------------|
| <b>Cash Flows from Operating Activities:</b>  |   |                     |                               |                                       |                     |
| Cash received from/(paid to) interfund service provided   | \$ 825,754                              | \$ 358,641          | \$ 474,802                    | \$ 138,996                            | \$ 1,798,193        |
| Cash paid to suppliers for goods and services   | (271,241)                               | (622,819)           | (149,281)                     | (65,937)                              | (1,109,278)         |
| Cash paid to employees for services   | (347,538)                               | 1,585               | (203,818)                     | -                                     | (549,771)           |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>206,975</b>                          | <b>(262,593)</b>    | <b>121,703</b>                | <b>73,059</b>                         | <b>139,144</b>      |
| <b>Cash Flows from Capital and Related Financing Activities:</b>  |   |                     |                               |                                       |                     |
| Acquisition and construction of capital assets  | (209,525)                               | -                   | (44,537)                      | -                                     | (254,062)           |
| <b>Net Cash Used in Capital and Related Financing Activities</b>  | <b>(209,525)</b>                        | <b>-</b>            | <b>(44,537)</b>               | <b>-</b>                              | <b>(254,062)</b>    |
| <b>Cash Flows from Investing Activities:</b>  |   |                     |                               |                                       |                     |
| Interest received   | 6,529                                   | 19,049              | 3,111                         | 2,916                                 | 31,605              |
| <b>Net Cash Provided by Investing Activities</b>  | <b>6,529</b>                            | <b>19,049</b>       | <b>3,111</b>                  | <b>2,916</b>                          | <b>31,605</b>       |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | <b>3,979</b>                            | <b>(243,544)</b>    | <b>80,277</b>                 | <b>75,975</b>                         | <b>(83,313)</b>     |
| Cash and Cash Equivalents at Beginning of Year  | 888,279                                 | 3,259,644           | 452,135                       | 407,166                               | 5,007,224           |
| <b>Cash and Cash Equivalents at End of Year</b>   | <b>\$ 892,258</b>                       | <b>\$ 3,016,100</b> | <b>\$ 532,412</b>             | <b>\$ 483,141</b>                     | <b>\$ 4,923,911</b> |
| <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>            |   |                     |                               |                                       |                     |
| Operating loss  | \$ (25,314)                             | \$ (214,629)        | \$ 19,492                     | \$ 73,059                             | \$ (147,392)        |
| <b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b> |   |                     |                               |                                       |                     |
| Depreciation  | 213,609                                 | -                   | 27,832                        | -                                     | 241,441             |
| (Increase) decrease in due from other governments   | 4,214                                   | -                   | -                             | -                                     | 4,214               |
| Increase (decrease) in accounts payable   | (1,248)                                 | 13,238              | 74,824                        | -                                     | 86,814              |
| Increase (decrease) in accrued liabilities  | 14,819                                  | 373                 | (1,043)                       | -                                     | 14,149              |
| Increase (decrease) in claims and judgments   | -                                       | (62,787)            | -                             | -                                     | (62,787)            |
| Increase (decrease) in salaries and benefits payable  | 895                                     | 1,212               | 598                           | -                                     | 2,705               |
| <b>Total Adjustments</b>  | <b>232,289</b>                          | <b>(47,964)</b>     | <b>102,211</b>                | <b>-</b>                              | <b>286,536</b>      |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>\$ 206,975</b>                       | <b>\$ (262,593)</b> | <b>\$ 121,703</b>             | <b>\$ 73,059</b>                      | <b>\$ 139,144</b>   |
| <b>Non-Cash Investing, Capital, and Financing Activities:</b>   |   |                     |                               |                                       |                     |
| Increase in Fair Value of Investments   | \$ 657                                  | \$ 2,387            | \$ 335                        | \$ 301                                | \$ 3,680            |

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET POSITION  
 ALL AGENCY FUNDS  
 JUNE 30, 2015

|                             | Special Assessment Districts |                             |                             |                             |
|-----------------------------|------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                             | Assessment<br>District # 62  | Assessment<br>District # 63 | Assessment<br>District # 64 | Assessment<br>District # 66 |
| <b>Assets:</b>              |                              |                             |                             |                             |
| Pooled cash and investments | \$ 5                         | \$ 91,790                   | \$ 27,593                   | \$ 158,707                  |
| <b>Total Assets</b>         | <b>\$ 5</b>                  | <b>\$ 91,790</b>            | <b>\$ 27,593</b>            | <b>\$ 158,707</b>           |
| <b>Liabilities:</b>         |                              |                             |                             |                             |
| Due to bondholders          | \$ 5                         | \$ 91,790                   | \$ 27,593                   | \$ 158,707                  |
| <b>Total Liabilities</b>    | <b>\$ 5</b>                  | <b>\$ 91,790</b>            | <b>\$ 27,593</b>            | <b>\$ 158,707</b>           |

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET POSITION  
 ALL AGENCY FUNDS  
 JUNE 30, 2015

|                             | Special Assessment Districts |                             | Agency<br>Funds<br>Totals |
|-----------------------------|------------------------------|-----------------------------|---------------------------|
|                             | Assessment<br>District # 68  | Assessment<br>District # 71 |                           |
| <b>Assets:</b>              |                              |                             |                           |
| Pooled cash and investments | \$ 93,570                    | \$ 18,787                   | \$ 390,452                |
| <b>Total Assets</b>         | <b>\$ 93,570</b>             | <b>\$ 18,787</b>            | <b>\$ 390,452</b>         |
| <b>Liabilities:</b>         |                              |                             |                           |
| Due to bondholders          | \$ 93,570                    | \$ 18,787                   | \$ 390,452                |
| <b>Total Liabilities</b>    | <b>\$ 93,570</b>             | <b>\$ 18,787</b>            | <b>\$ 390,452</b>         |

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2015

|  | Balance<br>7/1/2014 | Additions       | Deductions  | Balance<br>6/30/2015 |
|--|---------------------|-----------------|-------------|----------------------|
| <b><u>Assessment District # 62</u></b> |                     |                 |             |                      |
| <b>Assets:</b>                         |                     |                 |             |                      |
| Pooled cash and investments            | \$ 5                | \$ -            | \$ -        | \$ 5                 |
| <b>Total Assets</b>                    | <b>\$ 5</b>         | <b>\$ -</b>     | <b>\$ -</b> | <b>\$ 5</b>          |
| <b>Liabilities:</b>                    |                     |                 |             |                      |
| Due to bondholders                     | \$ 5                | \$ -            | \$ -        | \$ 5                 |
| <b>Total Liabilities</b>               | <b>\$ 5</b>         | <b>\$ -</b>     | <b>\$ -</b> | <b>\$ 5</b>          |
| <b><u>Assessment District # 63</u></b> |                     |                 |             |                      |
| <b>Assets:</b>                         |                     |                 |             |                      |
| Pooled cash and investments            | \$ 91,196           | \$ 594          | \$ -        | \$ 91,790            |
| <b>Total Assets</b>                    | <b>\$ 91,196</b>    | <b>\$ 594</b>   | <b>\$ -</b> | <b>\$ 91,790</b>     |
| <b>Liabilities:</b>                    |                     |                 |             |                      |
| Deposits payable                       | \$ 91,196           | \$ 594          | \$ -        | \$ 91,790            |
| <b>Total Liabilities</b>               | <b>\$ 91,196</b>    | <b>\$ 594</b>   | <b>\$ -</b> | <b>\$ 91,790</b>     |
| <b><u>Assessment District # 64</u></b> |                     |                 |             |                      |
| <b>Assets:</b>                         |                     |                 |             |                      |
| Pooled cash and investments            | \$ 27,413           | \$ 180          | \$ -        | \$ 27,593            |
| <b>Total Assets</b>                    | <b>\$ 27,413</b>    | <b>\$ 180</b>   | <b>\$ -</b> | <b>\$ 27,593</b>     |
| <b>Liabilities:</b>                    |                     |                 |             |                      |
| Deposits payable                       | \$ 27,413           | \$ 180          | \$ -        | \$ 27,593            |
| <b>Total Liabilities</b>               | <b>\$ 27,413</b>    | <b>\$ 180</b>   | <b>\$ -</b> | <b>\$ 27,593</b>     |
| <b><u>Assessment District # 66</u></b> |                     |                 |             |                      |
| <b>Assets:</b>                         |                     |                 |             |                      |
| Pooled cash and investments            | \$ 157,678          | \$ 1,029        | \$ -        | \$ 158,707           |
| <b>Total Assets</b>                    | <b>\$ 157,678</b>   | <b>\$ 1,029</b> | <b>\$ -</b> | <b>\$ 158,707</b>    |
| <b>Liabilities:</b>                    |                     |                 |             |                      |
| Deposits payable                       | \$ 157,678          | \$ 1,029        | \$ -        | \$ 158,707           |
| <b>Total Liabilities</b>               | <b>\$ 157,678</b>   | <b>\$ 1,029</b> | <b>\$ -</b> | <b>\$ 158,707</b>    |

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2015

|   | <u>Balance<br/>7/1/2014</u> | <u>Additions</u>       | <u>Deductions</u>  | <u>Balance<br/>6/30/2015</u> |
|---|-----------------------------|------------------------|--------------------|------------------------------|
| <b><u>Assessment District # 68</u></b>  |                             |                        |                    |                              |
| <b>Assets:</b>                          |                             |                        |                    |                              |
| Pooled cash and investments             | \$ 92,663                   | \$ 907                 | \$ -               | \$ 93,570                    |
| <b>Total Assets</b>                     | <b><u>\$ 92,663</u></b>     | <b><u>\$ 907</u></b>   | <b><u>\$ -</u></b> | <b><u>\$ 93,570</u></b>      |
| <b>Liabilities:</b>                     |                             |                        |                    |                              |
| Deposits payable                        | \$ 92,663                   | \$ 907                 | \$ -               | \$ 93,570                    |
| <b>Total Liabilities</b>                | <b><u>\$ 92,663</u></b>     | <b><u>\$ 907</u></b>   | <b><u>\$ -</u></b> | <b><u>\$ 93,570</u></b>      |
| <b><u>Assessment District # 71</u></b>  |                             |                        |                    |                              |
| <b>Assets:</b>                          |                             |                        |                    |                              |
| Pooled cash and investments             | \$ 18,638                   | \$ 149                 | \$ -               | \$ 18,787                    |
| <b>Total Assets</b>                     | <b><u>\$ 18,638</u></b>     | <b><u>\$ 149</u></b>   | <b><u>\$ -</u></b> | <b><u>\$ 18,787</u></b>      |
| <b>Liabilities:</b>                     |                             |                        |                    |                              |
| Deposits payable                        | \$ 18,638                   | \$ 149                 | \$ -               | \$ 18,787                    |
| <b>Total Liabilities</b>                | <b><u>\$ 18,638</u></b>     | <b><u>\$ 149</u></b>   | <b><u>\$ -</u></b> | <b><u>\$ 18,787</u></b>      |
| <b><u>Totals - All Agency Funds</u></b> |                             |                        |                    |                              |
| <b>Assets:</b>                          |                             |                        |                    |                              |
| Pooled cash and investments             | \$ 387,593                  | \$ 2,859               | \$ -               | \$ 390,452                   |
| <b>Total Assets</b>                     | <b><u>\$ 387,593</u></b>    | <b><u>\$ 2,859</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 390,452</u></b>     |
| <b>Liabilities:</b>                     |                             |                        |                    |                              |
| Deposits payable                        | \$ 387,593                  | \$ 2,859               | \$ -               | \$ 390,452                   |
| <b>Total Liabilities</b>                | <b><u>\$ 387,593</u></b>    | <b><u>\$ 2,859</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 390,452</u></b>     |

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