



CITY OF IMPERIAL BEACH, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2011

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CITY OF IMPERIAL BEACH, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2011

CITY OF IMPERIAL BEACH
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets	3
Statement of Activities.....	4
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	12
Budgetary Comparison Statement – General Fund.....	13
Statement of Net Assets - Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds.....	17
Statement of Fiduciary Net Assets - Fiduciary Funds.....	18
Notes to Financial Statements.....	19

CITY OF IMPERIAL BEACH
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page Number</u>
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Combining Balance Sheet - Nonmajor Governmental Funds	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	50
Budgetary Comparison Schedules - Special Revenue Funds	
Gas Tax.....	53
Prop A Tax	54
Residential Construction	55
CDBG Grant.....	56
Supplemental Law Enforcement	57
Lighting District # 67.....	58
Prop 1B	59
Combining Statement of Net Assets - Internal Service Funds	60
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds	62
Combining Statement of Cash Flows - Internal Service Funds.....	64
Combining Statement of Changes in Assets and Liabilities - Agency Fund	66



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Imperial Beach, California (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 15 – "California Redevelopment Agency Dissolution". The note provides information on two bills passed, AB1X26 and AB1X27 which dissolve redevelopment agencies and provide an option to avoid dissolution by making certain defined payments. The Note also provides further information on the California Supreme Court ruling dated December 29, 2011 in regards to these two bills.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Imperial Beach, California's financial statements as a whole. The combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Lance, Soll & Lughard, LLP

Brea, California
February 29, 2012

CITY OF IMPERIAL BEACH

STATEMENT OF NET ASSETS
 JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 38,382,666	\$ 3,104,403	\$ 41,487,069
Receivables:			
Accounts	646,181	15,888	662,069
Notes and loans	3,353,203	-	3,353,203
Accrued interest	16,859	-	16,859
Internal balances	576,751	(576,751)	-
Due from other governments	1,581,482	297,130	1,878,612
Inventories	6,642	-	6,642
Deferred charges	686,512	-	686,512
Land held for resale	17,378,973	-	17,378,973
Restricted assets:			
Cash with fiscal agent	6,355,946	-	6,355,946
Capital assets not being depreciated	18,741,824	862,176	19,604,000
Capital assets, net of depreciation	17,433,679	4,940,385	22,374,064
Total Assets	105,160,718	8,643,231	113,803,949
Liabilities:			
Accounts payable	3,014,518	17,348	3,031,866
Accrued liabilities	354,276	15,586	369,862
Accrued interest	169,208	-	169,208
Deferred revenue	(4,500)	-	(4,500)
Unearned revenue	847,164	-	847,164
Deposits payable	442,495	-	442,495
Noncurrent liabilities:			
Due within one year	1,022,634	13,317	1,035,951
Due in more than one year	40,071,943	38,658	40,110,601
Total Liabilities	45,917,738	84,909	46,002,647
Net Assets:			
Invested in capital assets, net of related debt	36,175,503	5,802,561	41,978,064
Restricted for:			
Public safety	22,115	-	22,115
Highways and streets	1,588,781	-	1,588,781
Capital projects	23,355,470	-	23,355,470
Debt service	6,420,547	-	6,420,547
Unrestricted	(8,319,436)	2,755,761	(5,563,675)
Total Net Assets	\$ 59,242,980	\$ 8,558,322	\$ 67,801,302

CITY OF IMPERIAL BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	
Primary Government:				
Governmental Activities:				
General government	\$ 9,436,273	\$ 500,236	\$ 292,224	\$ -
Public safety	10,151,378	752,887	4,144,618	-
Parks, recreation and senior center	1,812,808	49,918	-	-
Public works	2,392,319	406,716	388,831	2,652,238
Interest on long-term debt	2,238,607	-	-	-
Total Governmental Activities	26,031,385	1,709,757	4,825,673	2,652,238
Business-Type Activities:				
Sewer	4,503,186	3,916,221	-	-
Total Business-Type Activities	4,503,186	3,916,221	-	-
Total Primary Government	\$ 30,534,571	\$ 5,625,978	\$ 4,825,673	\$ 2,652,238

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

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

Net Assets at End of Year

Net (Expenses) Revenues and Changes in Net Assets

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (8,643,813)	\$ -	\$ (8,643,813)
(5,253,873)	-	(5,253,873)
(1,762,890)	-	(1,762,890)
1,055,466	-	1,055,466
(2,238,607)	-	(2,238,607)
(16,843,717)	-	(16,843,717)
-	(586,965)	(586,965)
-	(586,965)	(586,965)
(16,843,717)	(586,965)	(17,430,682)
9,506,354	-	9,506,354
224,220	-	224,220
888,791	-	888,791
1,864,795	-	1,864,795
363,138	-	363,138
2,074,028	-	2,074,028
130,319	-	130,319
1,334,246	18,298	1,352,544
228,813	186,110	414,923
(427,187)	427,187	-
16,187,517	631,595	16,819,112
(656,200)	44,630	(611,570)
59,799,180	8,513,692	68,312,872
100,000	-	100,000
\$ 59,242,980	\$ 8,558,322	\$ 67,801,302

CITY OF IMPERIAL BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Fund		Capital Projects Funds	
	General	Housing Authority	C.I.P. 2010 Bond	Capital Projects RDA
Assets:				
Cash and investments	\$ 9,322,305	\$ 6,913,322	\$ 11,247,403	\$ -
Receivables:				
Accounts	635,347	-	-	3,095
Contract and notes	-	-	-	3,750
Accrued interest	16,859	-	-	-
Due from other governments	1,102,169	-	-	-
Due from other funds	2,203,514	-	-	-
Advances to other funds	3,738,100	-	-	-
Inventories	3,559	-	-	-
Land held for resale	11,618,973	-	-	5,760,000
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	1,274,197
Total Assets	\$ 28,640,826	\$ 6,913,322	\$ 11,247,403	\$ 7,041,042
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,243,678	\$ -	\$ 61,778	\$ 1,244
Accrued liabilities	304,330	-	2,044	31,709
Deferred revenues	176,402	-	-	-
Unearned revenues	793,723	-	-	-
Deposits payable	442,495	-	-	-
Due to other funds	-	-	-	1,812,038
Advances from other funds	-	-	-	3,738,100
Total Liabilities	2,960,628	-	63,822	5,583,091
Fund Balances:				
Nonspendable:				
Inventory	3,559	-	-	-
Land held for resale	11,618,973	-	-	5,760,000
Contract and notes	-	-	-	3,750
Advances to other funds	3,738,100	-	-	-
Restricted for:				
Community development projects	-	6,913,322	11,183,581	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Debt service	-	-	-	-
Unassigned	10,319,566	-	-	(4,305,799)
Total Fund Balances	25,680,198	6,913,322	11,183,581	1,457,951
Total Liabilities and Fund Balances	\$ 28,640,826	\$ 6,913,322	\$ 11,247,403	\$ 7,041,042

CITY OF IMPERIAL BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>Debt Service RDA</u>		
Assets:			
Cash and investments	\$ 2,692,229	\$ 2,690,344	\$ 32,865,603
Receivables:			
Accounts	-	-	638,442
Contract and notes	-	3,349,453	3,353,203
Accrued interest	-	-	16,859
Due from other governments	85,851	363,223	1,551,243
Due from other funds	-	-	2,203,514
Advances to other funds	-	-	3,738,100
Inventories	-	-	3,559
Land held for resale	-	-	17,378,973
Restricted assets:			
Cash and investments with fiscal agents	5,081,749	-	6,355,946
Total Assets	<u>\$ 7,859,829</u>	<u>\$ 6,403,020</u>	<u>\$ 68,105,442</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,439,282	\$ 251,229	\$ 2,997,211
Accrued liabilities	-	5,265	343,348
Deferred revenues	-	459,104	635,506
Unearned revenues	-	53,441	847,164
Deposits payable	-	-	442,495
Due to other funds	-	391,476	2,203,514
Advances from other funds	-	-	3,738,100
Total Liabilities	<u>1,439,282</u>	<u>1,160,515</u>	<u>11,207,338</u>
Fund Balances:			
Nonspendable:			
Inventory	-	-	3,559
Land held for resale	-	-	17,378,973
Contract and notes	-	3,043,455	3,047,205
Advances to other funds	-	-	3,738,100
Restricted for:			
Community development projects	-	-	18,096,903
Public safety	-	22,225	22,225
Parks and recreation	-	33,654	33,654
Public works	-	2,646,437	2,646,437
Debt service	6,420,547	-	6,420,547
Unassigned	-	(503,266)	5,510,501
Total Fund Balances	<u>6,420,547</u>	<u>5,242,505</u>	<u>56,898,104</u>
Total Liabilities and Fund Balances	<u>\$ 7,859,829</u>	<u>\$ 6,403,020</u>	<u>\$ 68,105,442</u>

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CITY OF IMPERIAL BEACH

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund balances of governmental funds	\$ 56,898,104
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	35,370,283
Bond issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the statement of net assets.	686,512
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Long-term liabilities	(39,552,063)
Compensated absences	(740,710)
Governmental funds report all OPEB contributions as expenditures, however in the Statement of Net Assets any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as an assets or a liabilities.	(64,366)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(169,208)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	640,006
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	<u>6,174,422</u>
Net assets of governmental activities	<u><u>\$ 59,242,980</u></u>

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			
	General	Housing Authority	Capital Projects Funds	
			C.I.P. 2010 Bond	Capital Projects RDA
Revenues:				
Taxes	\$ 7,124,965	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Licenses and permits	629,829	-	-	-
Intergovernmental	594,145	-	-	-
Charges for services	7,175,390	-	-	16,300
Use of money and property	856,039	-	49,491	125,111
Fines and forfeitures	229,678	-	-	-
Miscellaneous	11,845,946	-	-	1,835
Total Revenues	28,455,992	-	49,491	143,246
Expenditures:				
Current:				
General government	5,623,960	829,327	176,755	1,881,381
Public safety	9,789,986	-	-	-
Parks, recreation and senior center	1,530,580	-	-	-
Public works	1,784,081	-	-	-
Capital outlay	257,565	-	89,155	987,224
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance cost	-	-	-	342,504
Total Expenditures	18,986,172	829,327	265,910	3,211,109
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,469,820	(829,327)	(216,419)	(3,067,863)
Other Financing Sources (Uses):				
Transfers in	2,256,937	7,742,649	11,400,000	3,093,200
Transfers out	(442,572)	-	-	(17,189,879)
Bonds issued	-	-	-	21,595,000
Bond discount	-	-	-	(735,703)
Loss on the sale of land held for resale	-	-	-	(11,288,277)
Total Other Financing Sources (Uses)	1,814,365	7,742,649	11,400,000	(4,525,659)
Net Change in Fund Balances	\$ 11,284,185	\$ 6,913,322	\$ 11,183,581	\$ (7,593,522)
Fund Balance:				
Beginning of year, as originally reported	\$ 14,296,013	\$ -	\$ -	\$ 9,051,473
Restatements	100,000	-	-	-
Beginning of year, as restated	14,396,013	-	-	9,051,473
Net change in fund balances	11,284,185	6,913,322	11,183,581	(7,593,522)
Fund Balances, End of Year	\$ 25,680,198	\$ 6,913,322	\$ 11,183,581	\$ 1,457,951

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Debt Service Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>Debt Service RDA</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 4,028,013	\$ 1,361,170	\$ 12,514,148
Assessments	-	13,352	13,352
Licenses and permits	-	-	629,829
Intergovernmental	-	2,882,305	3,476,450
Charges for services	-	-	7,191,690
Use of money and property	58,736	95,463	1,184,840
Fines and forfeitures	-	-	229,678
Miscellaneous	-	-	11,847,781
Total Revenues	<u>4,086,749</u>	<u>4,352,290</u>	<u>37,087,768</u>
Expenditures:			
Current:			
General government	20,326	955,396	9,487,145
Public safety	-	126,910	9,916,896
Parks, recreation and senior center	-	24,046	1,554,626
Public works	-	9,110	1,793,191
Capital outlay	-	1,317,483	2,651,427
Debt service:			
Principal retirement	360,000	90,000	450,000
Interest and fiscal charges	1,894,374	220,466	2,114,840
Bond issuance cost	-	-	342,504
Total Expenditures	<u>2,274,700</u>	<u>2,743,411</u>	<u>28,310,629</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,812,049</u>	<u>1,608,879</u>	<u>8,777,139</u>
Other Financing Sources (Uses):			
Transfers in	4,089,879	10,385	28,593,050
Transfers out	(3,093,200)	(8,291,586)	(29,017,237)
Bonds issued	-	-	21,595,000
Bond discount	-	-	(735,703)
Loss on the sale of land held for resale	-	-	(11,288,277)
Total Other Financing Sources (Uses)	<u>996,679</u>	<u>(8,281,201)</u>	<u>9,146,833</u>
Net Change in Fund Balances	<u>\$ 2,808,728</u>	<u>\$ (6,672,322)</u>	<u>\$ 17,923,972</u>
Fund Balance:			
Beginning of year, as originally reported	\$ 3,611,819	\$ 11,914,827	\$ 38,874,132
Restatements	-	-	100,000
Beginning of year, as restated	3,611,819	11,914,827	38,974,132
Net change in fund balances	<u>2,808,728</u>	<u>(6,672,322)</u>	<u>17,923,972</u>
Fund Balances, End of Year	<u>\$ 6,420,547</u>	<u>\$ 5,242,505</u>	<u>\$ 56,898,104</u>

CITY OF IMPERIAL BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Net change in fund balances - total governmental funds	\$ 17,923,972
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.	1,761,960
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premium, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statements of activities.	(20,108,711)
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.	(81,849)
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.	(60,017)
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.	(15,717)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	275,470
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.	<u>(351,308)</u>
Change in net assets of governmental activities	<u>\$ (656,200)</u>

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1 as restated	\$ 14,396,013	\$ 14,396,013	\$ 14,396,013	\$ -
Resources (Inflows):				
Taxes	6,936,200	6,936,200	7,124,965	188,765
Licenses and permits	526,000	526,000	629,829	103,829
Intergovernmental	223,000	223,000	594,145	371,145
Charges for services	7,169,843	7,169,843	7,175,390	5,547
Use of money and property	917,000	917,000	856,039	(60,961)
Fines and forfeitures	304,500	234,500	229,678	(4,822)
Miscellaneous	170,500	170,500	11,845,946	11,675,446
Transfers in	860,546	878,546	2,256,937	1,378,391
Amounts Available for Appropriations	31,503,602	31,451,602	45,108,942	13,657,340
Charges to Appropriations (Outflow):				
General government				
Mayor/City Council	108,837	108,837	94,993	13,844
City Clerk's Office	252,004	254,004	253,680	324
City Manager	237,451	245,519	241,003	4,516
Personnel	254,263	254,263	228,702	25,561
Administrative Services	623,831	623,831	599,368	24,463
City Attorneys	205,000	243,000	242,444	556
Community Development	364,287	371,921	315,921	56,000
Facilities Maintenance	275,513	287,533	245,746	41,787
Non-Departmental	312,015	1,293,467	3,402,103	(2,108,636)
Public safety				
Law Enforcement Contract	6,532,054	6,532,054	5,884,812	647,242
Fire Protection Rescue	2,111,215	2,111,215	2,053,325	57,890
Ocean Beach Safety	1,297,016	1,297,016	1,274,673	22,343
Building Inspection	336,284	336,284	284,983	51,301
Animal Control	209,700	209,700	189,408	20,292
Disaster Preparedness	39,206	39,206	24,236	14,970
Code Enforcement	48,158	48,158	45,578	2,580
AVA Program	39,061	39,061	32,971	6,090
Parks and recreation				
Recreation Srvcs. & Skatepark	249,259	249,259	270,762	(21,503)
Park Maintenance	405,836	411,929	401,184	10,745
Senior Services	28,152	28,152	28,098	54
Tideland Maintenance	897,185	897,185	830,536	66,649
Public works				
Street Maintenance	867,446	885,446	823,991	61,455
Public Works Admin.	500,694	600,694	476,871	123,823
Graffiti Removal	-	-	386	(386)
Solid Waste Management	103,913	118,913	482,795	(363,882)
Facilities - Sewer/Stormwater	-	-	38	(38)
Capital outlay	130,195	130,195	257,565	(127,370)
Transfers out	656,000	656,000	442,572	213,428
Total Charges to Appropriations	17,084,575	18,272,842	19,428,744	(1,155,902)
Budgetary Fund Balance, June 30	\$ 14,419,027	\$ 13,178,760	\$ 25,680,198	\$ 12,501,438

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CITY OF IMPERIAL BEACH

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2011

	<u>Enterprise Fund</u>	<u>Governmental</u>
	<u>Sewer</u>	<u>Activities- Internal Service Funds</u>
Assets:		
Current:		
Cash and investments	\$ 3,104,403	\$ 5,517,063
Receivables:		
Accounts	15,888	7,739
Due from other governments	297,130	30,239
Inventories	-	3,083
Total Current Assets	3,417,421	5,558,124
Noncurrent:		
Capital assets - net of accumulated depreciation	5,802,561	805,220
Total Noncurrent Assets	5,802,561	805,220
Total Assets	\$ 9,219,982	\$ 6,363,344
Liabilities and Net Assets:		
Liabilities:		
Current:		
Accounts payable	\$ 17,348	\$ 17,307
Accrued liabilities	15,586	10,928
Compensated absences	13,317	16,066
Claims and judgments	-	296,782
Total Current Liabilities	46,251	341,083
Noncurrent:		
Compensated absences	38,658	38,527
Claims and judgments	-	386,063
Total Noncurrent Liabilities	38,658	424,590
Total Liabilities	84,909	765,673
Net Assets:		
Invested in capital assets, net of related debt	5,802,561	805,220
Unrestricted	3,332,512	4,792,451
Total Net Assets	9,135,073	5,597,671
Total Liabilities and Net Assets	\$ 9,219,982	\$ 6,363,344
Reconciliation of Net Assets to the Statement of Net Assets		
Net Assets per Statement of Net Assets - Proprietary Funds	\$ 9,135,073	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(272,843)	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds	(303,908)	
Net Assets per Statement of Net Assets	\$ 8,558,322	

CITY OF IMPERIAL BEACH

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Fund</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	
Operating Revenues:		
Sales and service charges	\$ 3,916,221	\$ 1,318,461
Miscellaneous	186,110	150,592
Total Operating Revenues	<u>4,102,331</u>	<u>1,469,053</u>
Operating Expenses:		
Services and supplies	2,954,634	574,369
Claims expense	-	630,898
Depreciation	162,911	149,008
Personnel and administrative	1,357,733	549,573
Total Operating Expenses	<u>4,475,278</u>	<u>1,903,848</u>
Operating Income (Loss)	<u>(372,947)</u>	<u>(434,795)</u>
Nonoperating Revenues (Expenses):		
Interest revenue	24,284	58,102
Gain (loss) on disposal of capital assets	<u>(5,986)</u>	<u>477</u>
Total Nonoperating Revenues (Expenses)	<u>18,298</u>	<u>58,579</u>
Income (Loss) Before Transfers	(354,649)	(376,216)
Transfers in	703,187	5,000
Transfers out	<u>-</u>	<u>(284,000)</u>
Changes in Net Assets	348,538	(655,216)
Net Assets:		
Beginning of Year	8,786,535	6,252,887
End of Fiscal Year	<u>\$ 9,135,073</u>	<u>\$ 5,597,671</u>
Reconciliation of Changes in Net Assets to the Statement of Activities:		
Changes in Net Assets, per the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	\$ 348,538	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	<u>(303,908)</u>	
Changes in Net Assets of Business-Type Activities per Statement of Activities	<u>\$ 44,630</u>	

CITY OF IMPERIAL BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2011

	<u>Enterprise Fund</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 4,086,342	\$ -
Cash received from/(paid to) interfund service provided	-	1,520,773
Cash paid to suppliers for goods and services	(2,973,269)	(932,110)
Cash paid to employees for services	(1,360,680)	(550,253)
Net Cash Provided (Used) by Operating Activities	(247,607)	38,410
Cash Flows from Non-Capital Financing Activities:		
Cash transfers out	-	(284,000)
Cash transfers in	703,187	5,000
Net Cash Provided (Used) by Non-Capital Financing Activities	703,187	(279,000)
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(793,357)	(70,642)
Net Cash Provided (Used) by Capital and Related Financing Activities	(793,357)	(70,642)
Cash Flows from Investing Activities:		
Interest received	24,284	58,102
Net Cash Provided (Used) by Investing Activities	24,284	58,102
Net Increase (Decrease) in Cash and Cash Equivalents	(313,493)	(253,130)
Cash and Cash Equivalents at Beginning of Year	3,417,896	5,770,193
Cash and Cash Equivalents at End of Year	\$ 3,104,403	\$ 5,517,063
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (372,947)	\$ (434,795)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	162,911	149,008
(Increase) decrease in accounts receivable	(15,888)	(7,739)
(Increase) decrease in due from other governments	(101)	59,459
Increase (decrease) in accounts payable	(18,635)	(19,365)
Increase (decrease) in accrued liabilities	(1,595)	(1,788)
Increase (decrease) in claims and judgments	-	292,522
Increase (decrease) in compensated absences	(1,352)	1,108
Total Adjustments	125,340	473,205
Net Cash Provided (Used) by Operating Activities	\$ (247,607)	\$ 38,410

CITY OF IMPERIAL BEACH

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Agency Funds</u>
Assets:	
Cash and investments	<u>\$ 509,041</u>
Total Assets	<u><u>\$ 509,041</u></u>
Liabilities:	
Deposits payable	<u>\$ 509,041</u>
Total Liabilities	<u><u>\$ 509,041</u></u>

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 Mayor-Council form of government and provides the following services: general government, fire, highways and streets, planning and zoning, and public improvements. Police services are contracted through the San Diego Sheriff's Department. The City is not subject to federal or state income taxes.

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

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

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

Blended Component Units

Imperial Beach Redevelopment Agency

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

Note 1: Summary of Significant Accounting Policies (Continued)

Imperial Beach Public Financing Authority

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

Imperial Beach Housing Authority

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

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

The City reports the following major governmental funds:

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

d. Assets, Liabilities and Net Assets or Equity

Cash and Investments

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

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

Receivables and Payables

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

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

Functional Classifications

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

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 \$1,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

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

Long-Term Obligations

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

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

Fund Equity

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Assigned includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Resolution No. 2011-7057 authorizes the Finance Director to assign amounts to a specific purpose.

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

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

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.

e. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance-governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities and compensated absences have not been included in the governmental fund activity." The detail of the \$(39,552,063) long-term debt difference is as follows:

Tax Allocation Bonds	\$ (40,520,000)
Unamortized Bond Discount	<u>967,937</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u>\$ (39,552,063)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances of total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The detail of this \$1,761,960 difference is as follows:

Capital Outlay	\$ 2,703,041
Depreciation Expense	(938,735)
Loss on Sale of Capital Assets	<u>(2,346)</u>
Net adjustment to increase net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,761,960</u>

Another element of that reconciliation explains that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premium, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statements of activities. The detail of this \$20,108,711 difference is as follows:

Debt issued or incurred	
2010 tax allocation bonds	\$ (21,595,000)
Bond discount	735,703
Bond issuance cost	342,504
Principal repayment	
2003 tax allocation bonds	450,000
Bond issuance cost amortization	<u>(41,918)</u>
Net adjustment to increase net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (20,108,711)</u>

I. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

General Budget Policies

The two-year operating budget adopted by the City Council provides for the general operations of the City. It includes proposed expenditures and the means of financing them on a departmental basis. Budgets are legally adopted for the General Fund and the Special Revenue Funds, except for the Housing Authority, the Local Law Enforcement Block Grant, the 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, 2011, based on calculations by City staff, proceeds of taxes did not exceed appropriations. Further, Section 5 of Article XIII-B allows the City to designate a portion of fund balance for general contingencies to be used for any purpose.

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

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

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2011, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 44,738,612
Business-Type activities	3,104,403
Fiduciary funds	<u>509,041</u>
Total Cash and Investments	<u>\$ 48,352,056</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, 2011, the carrying amount of the City's deposits was \$465,988 and the bank balance was \$840,164. The \$374,176 difference represents outstanding checks and other reconciling items.

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

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

Note 3: Cash and Investments (Continued)

- Medium-term Corporate Notes with an “A” or comparable ratings
- Instruments of other California Government Entities with an “A” or comparable rating
- Banker’s Acceptances
- Repurchase Agreements
- Local Agency Investment Fund Demand Deposits (State Pool)
- County of San Diego Treasury (County Pool)
- California Arbitrage Management Program (Bond Pool)
- Passbook Savings Account Demand Deposits
- Money Market funds, which invest solely in securities issued by the U.S. Treasury and agencies of the Federal government, and repurchase agreements collateralized with U.S. Treasury and Federal agency obligations
- Overnight Sweep accounts as managed by the depository bank as part of the checking account packaged contracted by the City, provided the sweep account is collateralized in accordance with state law

Investments Authorized by Debt Agreements

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

Investments in State Investment Pool

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

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, 2011, the City had no investments in medium-term notes. In addition, the City’s investments in Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation were rated “AAA” by Moody’s and by S&P. All securities were investment grade and were legal under State law. Investments in U.S. Treasuries are not considered to have credit risk; therefore, their credit quality is not disclosed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 3: Cash and Investments (Continued)

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

As of June 30, 2011, 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, 2011, none of the City's deposits or investments was exposed to custodial credit risk.

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer to 25% of the total investment pool. With respect to concentration risk, as of June 30, 2011, 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, 2011, the City has investments with the following issuers, which exceed 5% of the total investment value:

Federal Home Loan Bank	\$ 14,072,680	29%
Federal Farm Credit Bank	3,009,920	6%
Corporate Bonds	2,999,130	6%

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

Interest Rate Risk

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

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 3: Cash and Investments (Continued)

As of June 30, 2011, the City had the following investments and original maturities:

Investments	Investment Maturities (in Years)				Fair Value
	1 year or less	1 to 3 years	3 to 5 years	5 and more years	
California Local Agency Investment Fund	\$ 20,444,422	\$ -	\$ -	\$ -	\$ 20,444,422
Federal Farm Credit Bank	-	2,001,900	1,008,020	-	3,009,920
Federal Home Loan Bank	-	7,023,860	3,043,100	4,005,720	14,072,680
Federal National Meeting Association	-	-	1,003,970	-	1,003,970
Corporate Bonds	1,004,760	-	-	1,994,370	2,999,130
Money Market Mutual Funds - held by fiscal agent	6,355,946	-	-	-	6,355,946
	<u>\$ 27,805,128</u>	<u>\$ 9,025,760</u>	<u>\$ 5,055,090</u>	<u>\$ 6,000,090</u>	<u>\$ 47,886,068</u>

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,638,532	\$ -	\$ -	\$ -	\$ 1,638,532
Infrastructure right-of-way	12,406,327	-	-	-	12,406,327
Construction-in-progress	4,925,626	(2,915,755)	2,687,094	-	4,696,965
Total Capital Assets, Not Being Depreciated	<u>18,970,485</u>	<u>(2,915,755)</u>	<u>2,687,094</u>	<u>-</u>	<u>18,741,824</u>
Capital assets, being depreciated:					
Structures and improvements	6,041,302	1,290,282	-	-	7,331,584
Equipment and vehicles	4,221,073	3,161	84,382	144,326	4,164,290
Infrastructure	14,611,836	1,625,473	-	-	16,237,309
Total Capital Assets, Being Depreciated	<u>24,874,211</u>	<u>2,918,916</u>	<u>84,382</u>	<u>144,326</u>	<u>27,733,183</u>
Less accumulated depreciation:					
Structures and improvements	2,862,126	-	296,181	-	3,158,307
Equipment and vehicles	2,912,073	-	264,502	141,503	3,035,072
Infrastructure	3,579,065	-	527,060	-	4,106,125
Total Accumulated Depreciation	<u>9,353,264</u>	<u>-</u>	<u>1,087,743</u>	<u>141,503</u>	<u>10,299,504</u>
Total Capital Assets, Being Depreciated, Net	<u>15,520,947</u>	<u>2,918,916</u>	<u>(1,003,361)</u>	<u>2,823</u>	<u>17,433,679</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,491,432</u>	<u>\$ 3,161</u>	<u>\$ 1,683,733</u>	<u>\$ 2,823</u>	<u>\$ 36,175,503</u>

CITY OF IMPERIAL BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Note 4: Capital Assets (Continued)

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Business-Type Activities:					
Capital assets, not being depreciated:					
Construction-in-progress	\$ 78,433	\$ -	\$ 783,743	\$ -	\$ 862,176
Total Capital Assets, Not Being Depreciated	78,433	-	783,743	-	862,176
Capital assets, being depreciated:					
Sewer Lines and Pump Stations	8,373,637	(3,161)	12,774	99,390	8,283,860
Total Capital Assets, Being Depreciated	8,373,637	(3,161)	12,774	99,390	8,283,860
Less accumulated depreciation:					
Sewer Lines and Pump Stations	3,273,969	-	162,911	93,405	3,343,475
Total Accumulated Depreciation	3,273,969	-	162,911	93,405	3,343,475
Total Capital Assets, Being Depreciated, Net	5,099,668	(3,161)	(150,137)	5,985	4,940,385
Business-Type Activities Capital Assets, Net	<u>\$ 5,178,101</u>	<u>\$ (3,161)</u>	<u>\$ 633,606</u>	<u>\$ 5,985</u>	<u>\$ 5,802,561</u>

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

Governmental Activities:	
General Government	\$ 146,434
Public Safety	50,804
Public Works	534,926
Parks, Recreation and Senior Center	206,571
Internal Service Funds	149,008
Total Governmental Activities	<u>\$ 1,087,743</u>
Business-Type Activities:	
Sewer	<u>\$ 162,911</u>

Note 5: Loans Receivable

Loans receivable consist of the following:

Capital Project Funds

In November 2002, the Agency loaned \$25,000 to the Imperial Beach Community Clinic (IBCC) to be repaid on or before January 1, 2013. IBCC may receive credit toward the repayment of the Note in accordance with an Owner Participation Agreement (OPA) by and between the Agency and IBCC. The Agency will forgive \$2,500 of the loan for each year that IBCC complies with the OPA and operates the facility as a health clinic in substantially the same manner as on the date the OPA was executed (November 13, 2002). During fiscal year 2010-2011, \$2,500 of the debt was forgiven, leaving a balance of \$3,750.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 5: Loans Receivable (Continued)

Low and Moderate Income Housing Set-aside Funds

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, 2011, amounts to \$83,583 and is offset by deferred revenue. The loan has not been fully disbursed at June 30, 2011. The outstanding balance at June 30, 2011, is \$695,583 including accrued interest.

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, 2011, amounts to \$71,494 and is offset by deferred revenue. The loan has not been fully disbursed at June 30, 2011. The outstanding balance at June 30, 2011, is \$557,949, including accrued interest.

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, 2011, amounts to \$150,921 and is offset by deferred revenue. The outstanding balance at June 30, 2011, is \$2,095,921, including accrued interest.

Total loans receivable at June 30, 2011, amounts to \$3,353,203.

CITY OF IMPERIAL BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Note 6: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2011, is as follows:

Due To/Due From Other Funds

Funds	Due to Other Funds		
	Capital Projects RDA	Non-major Governmental Funds	Total
Due From Other Funds:			
General Fund	<u>\$ 1,812,038</u>	<u>\$ 391,476</u>	<u>\$ 2,203,514</u>

At the end of fiscal year 2010/2011, \$2,203,514 was due for deficit cash balances in the Capital Project RDA fund and in the non-major funds.

Advances To/From Other Funds

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

During the current and previous fiscal years, the City of Imperial Beach has made loans to the Agency. These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The City may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated with the next fiscal year. As of June 30, 2011, loans made from the General Fund to the Redevelopment Agency Capital Projects Fund, including accrued unpaid interest owed on those loans, were \$3,738,100.

Interfund Transfers

	Transfers In							Total	
	General Fund	Housing Authority	C.I.P. 2010 Bond	Capital Projects RDA	Debt Service RDA	Sewer Fund	Internal Service Funds		Nonmajor Govt Funds
Transfers Out:									
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 427,187	\$ 5,000	\$ 10,385	\$ 442,572
Capital Projects RDA	1,700,000	-	11,400,000	-	4,089,879	-	-	-	17,189,879
Debt Service RDA	-	-	-	3,093,200	-	-	-	-	3,093,200
Internal Service Funds	8,000	-	-	-	-	276,000	-	-	284,000
Nonmajor Govt Funds	548,937	7,742,649	-	-	-	-	-	-	8,291,586
	<u>\$ 2,256,937</u>	<u>\$ 7,742,649</u>	<u>\$ 11,400,000</u>	<u>\$ 3,093,200</u>	<u>\$ 4,089,879</u>	<u>\$ 703,187</u>	<u>\$ 5,000</u>	<u>\$ 10,385</u>	<u>\$ 29,301,237</u>

Transfers were made to establish the Housing Authority, fund capital projects in the Capital Project RDA fund, reimburse Sewer fund for maintenance costs and to reimburse funds for debt service payments.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7: Deferred Revenue and Unearned Revenue

General Fund deferred revenue of \$176,402 relates to sales tax revenue accrued but not yet received within the recognition periods.

General Fund unearned revenue consists of \$700,000 relating to a lease with the Unified Port District of San Diego and \$93,723 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, 2011, \$700,000 remains of this unearned lease revenue.

Note 8: Long-Term Debt

a. Long-Term Debt – Governmental Activities

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Tax Allocation Bonds					
2003, Series A	\$ 19,375,000	\$ -	\$ 450,000	\$ 18,925,000	\$ 470,000
2010	-	21,595,000	-	21,595,000	-
Other Post-Employment Benefits Obligation	48,649	23,101	7,384	64,366	-
Compensated Absences	734,178	388,244	327,116	795,306	255,852
Claims & Judgments	390,323	462,858	170,336	682,845	296,782
	<u>\$ 20,548,150</u>	<u>\$ 22,469,203</u>	<u>\$ 954,836</u>	42,062,517	<u>\$ 1,022,634</u>
			Unamortized discount	(967,940)	
			Total	<u>\$ 41,094,577</u>	

Tax Allocation Bonds, 2003 Series A

In December 2003, the Imperial Beach Public Financing Authority issued \$22,765,000 Tax Allocation Revenue Bonds, 2003 Series A. The proceeds of the bonds were loaned to the Imperial Beach Redevelopment Agency to fund redevelopment activities, to provide for a reserve fund and to provide for the costs of issuance of the bonds. Although the bonds were issued by the Authority and loaned to the Redevelopment Agency, the loan transaction has been eliminated from these financial statements, as the Public Financing Authority does not have its own financial statements or fund, and certain revenues of the Redevelopment Agency are pledged for repayment of the debt. Interest on the bonds is payable semiannually and principal payments are due annually. Debt service payments occur from June 1, 2004 through June 1, 2033. Interest rates on the bonds range from 1.75% to 6.10% per annum. The balance at June 30, 2011, excluding unamortized original issue discount of \$242,888, is \$18,925,000.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 8: Long-Term Debt (Continued)

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

	2003 Tax Allocation Bonds, Series A	
	Principal	Interest
2011 - 2012	\$ 470,000	\$ 1,083,204
2012 - 2013	490,000	1,061,584
2013 - 2014	510,000	1,037,574
2014 - 2015	540,000	1,012,074
2015 - 2016	570,000	985,074
2016 - 2021	3,315,000	4,436,713
2021 - 2026	4,385,000	3,373,648
2026 - 2031	5,810,000	1,932,270
2031 - 2036	2,835,000	257,700
Totals	<u>\$ 18,925,000</u>	<u>\$ 15,179,841</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 Imperial Beach Redevelopment Agency to fund redevelopment activities, to provide for a reserve fund and to provide for the costs of issuance of the bonds. Although the bonds were issued by the Authority and loaned to the Redevelopment Agency, the loan transaction has been eliminated from these financial statements, as the Public Financing Authority does not have its own financial statements or fund. The Agency's obligations under the Loan Agreements are secured by a pledge of Tax Revenues, not including Low and Moderate Income Housing set-aside that it receives. Interest on the bonds is payable semiannually and principal payments are due annually. The bonds consist of \$2,135,000 in term bonds due June 1, 2030, with interest at 5.000%; term bonds of \$5,170,000 due June 1, 2035, with interest at 5.000% and term bonds of \$10,715,000 due June 1, 2040, with interest at 5.125%. The balance at June 30, 2011, excluding unamortized original issue discount of \$725,052, is \$21,595,000.

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

	2010 Tax Allocation Bonds	
	Principal	Interest
2011 - 2012	\$ -	\$ 1,051,906
2012 - 2013	130,000	1,051,906
2013 - 2014	230,000	1,048,006
2014 - 2015	235,000	1,041,106
2015 - 2016	245,000	1,034,056
2016 - 2021	1,385,000	5,040,531
2021 - 2026	1,730,000	4,729,444
2026 - 2031	2,255,000	4,263,469
2031 - 2036	6,600,000	3,456,969
2036 - 2041	8,785,000	1,154,663
Totals	<u>\$ 21,595,000</u>	<u>\$ 23,872,056</u>

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 8: Long-Term Debt (Continued)

The Agency's has pledged, as security for tax allocation bonds it has issued, a portion of tax increment revenues, including Low and Moderate Income Housing set-aside that it receives. These bonds were to provide financing for various capital projects and to accomplish Low and Moderate Income Housing projects. The Agency has committed to appropriate each year, from these resources amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$79,571,897 with debt service requirements as indicated below. For the current year, the total tax increment revenue, net of pass through payments, recognized by the Agency was \$5,444,679 and the debt service obligation on the bonds was \$2,116,268.

Other Post-Employment Benefits Obligation

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

Compensated Absences

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

Claims and Judgments

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

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, 2011:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
Enterprise Fund:					
Compensated absences	<u>\$ 53,327</u>	<u>\$ 19,052</u>	<u>\$ 20,404</u>	<u>\$ 51,975</u>	<u>\$ 13,317</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, 2011, was \$143,000. 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 assets because they are special obligations payable solely from and secured by specific revenue sources described in the resolutions and official statement of the issues. Neither faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof is pledged for the payment of these bonds.

IV. OTHER INFORMATION

Note 9: City Employees Retirement Plan

Plan Description

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

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 13.382% for miscellaneous employees, 14.765% for fire employees and 26.365% for ocean lifeguards, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2011, the City's annual pension cost of \$852,961 for PERS was equal to the City's required and actual contributions. An additional payment of \$1,330,858 was made to pay off the side fund which was a requirement to participate in the program. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 9: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

Three-Year Trend Information for PERS			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>Miscellaneous Members</u>			
6/30/2009	\$ 462,229	100%	\$ -
6/30/2010	446,820	100%	-
6/30/2011	1,795,553	100%	-
<u>Safety Members</u>			
6/30/2009	\$ 381,854	100%	\$ -
6/30/2010	418,927	100%	-
6/30/2011	388,266	100%	-

For fiscal year 2010-2011, the City participated in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date, starting with the June 30, 2003 valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

Note 10: Other Post-Employment Benefits

Plan Description

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

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or employee associations. Currently, contributions are not required from plan members. A contribution of \$7,384 was made during the 2010-2011 fiscal year and was not included in the September 1, 2009, actuarial study. The purpose of the contribution was to pay current year premiums for retirees.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 10: Other Post-Employment Benefits (Continued)

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) *	
Adjustment to ARC	\$ 25,178
Interest on net OPEB obligation	956
Adjustments to ARC	<u>(3,033)</u>
Annual OPEB cost	23,101
Contributions made	<u>7,384</u>
(Decrease) increase in Net OPEB obligation	15,717
Net OPEB obligation (asset) - beginning of year	<u>48,649</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ 64,366</u></u>

* The actuarial valuation was valued at September 1, 2009. The ARC for fiscal year 2010-2011 was estimated at the same amount.

The contribution rate of 9.3% is based on the ARC of \$25,178 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 2010-2011, and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2009	\$ 31,066	\$ 2,888	9.30%	\$ 28,178
6/30/2010	25,329	4,858	19.18%	48,649
6/30/2011	23,101	7,384	31.96%	64,366

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 10: Other Post-Employment Benefits (Continued)

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Percent of Covered Payroll
9/1/2009	\$ -	\$ 238,144	\$ 238,144	0.0%	4,454,378	5.35%

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 September 1, 2009, 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, 2011, was twenty-eight years. The number of current employees who are eligible to participate in OPEB once retired is 74, the number of retirees currently receiving benefits are 7, and to be eligible to receive benefits the employee must retire from the City and be taking medical insurance at the time of retirement.

Note 11: Self-Insurance Program

General Liability

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

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 11: Self-Insurance Program (Continued)

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

Workers Compensation

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

The City established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risk of loss when it became a member of SANDPIPA, SDCCRMA and CSAC for liability, property casualty and workers compensation coverage. All funds of the City participate in the program and make payments to the Self-Insurance Fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. The estimated claims liability of \$682,845 reported at June 30, 2011, is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The above amount includes an estimate for incurred but not reported claims.

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

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

	<u>2009-2010</u>	<u>2010-2011</u>
Claims outstanding at beginning of year	\$ 511,019	\$ 390,323
Claims and changes in estimates	111,040	462,858
Claim payments	<u>(231,736)</u>	<u>(170,336)</u>
Claims outstanding at end of year	<u>\$ 390,323</u>	<u>\$ 682,845</u>

Note 12: Contingencies

Litigation

The City is involved in various lawsuits of which the outcome was undetermined as of June 30, 2011. No amount has been accrued for these contingent amounts.

Major Service Contracts

The San Diego Unified Port District owns the beachfront and bayfront in the City of Imperial Beach. Starting in fiscal year 1989-1990, the City entered into a contractual

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 12: Contingencies (Continued)

agreement with the San Diego Unified Port District, whereby the Port District provides reimbursement to the City for costs incurred in the maintenance and public safety services for the over two million visitors to the Port's beach area. In July 2009, the City entered into a new contract with the San Diego Unified Port District whereby the Port District will provide reimbursement to the City for costs incurred relative to the beachfront from July 1, 2009 through June 30, 2012. This is a renewal of the previous contract which ended June 30, 2009. The new contract provides for cost reimbursement to the City of an amount not to exceed \$5,118,213 through June 30, 2012. A failure to renew the agreement either through the Port District's unwillingness or inability to do so would result in the City adjusting expenditures and service levels to meet the Port's level of reimbursement. There is no indication of any proposed substantial change to this contractual relationship. In fiscal year 2010-2011 the City received \$3,902,626 or 12.71% of its general fund revenue from the Port District.

In September 2010, there was an amendment to the original agreement which increased the cost reimbursement to the City for an additional \$43,784, for an amount not to exceed of \$5,161,997 through June 30, 2012.

The following material construction commitments existed at June 30, 2011:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2011</u>	<u>Remaining Commitments</u>
9th & Palm Shopping Ctr.	\$ 89,567	\$ 11,073	\$ 78,494
Crosswalk-I.B. Blvd.	104,313	62,086	42,227
RTIP FY 2009-2010	939,526	847,296	92,230
Crosswalk-Louden Lane	164,645	106,591	58,054
Bikeway Village Project	100,000	14,684	85,316
Sealing Wet Walls	755,470	749,330	6,140

Note 13: Fund Equity and Net Assets Restatements

Beginning fund balance in the General Fund and beginning net assets have been restated by \$100,000 to recognize unearned revenue that should have been recognized in prior fiscal years.

Note 14: Transactions with the State of California

SERAF Shift for fiscal year 2009-2010 and 2010-2011

On July 23, 2009, the State adopted legislation, requiring a shift of monies during fiscal years 2009-2010 and 2010-2011 to be deposited into the County "Supplemental" Educational Revenue Augmentation Fund (SERAF). These monies were to be distributed to meet the State's Prop 98 obligations to schools. The California Redevelopment Association (CRA) and its member agencies filed a legal action in an attempt to stop these amounts from having to be paid; however, in May 2010, the Sacramento Superior Court upheld the legislation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 14: Transactions with the State of California (Continued)

The payment of the SERAF was due on May 10, 2011, for fiscal year 2010-2011 and it was made in the amount of \$549,189. The legislation allowed this payment to be made from any available monies present in any project area(s). Subsequent legislation was passed which even allowed the funding for this payment to be borrowed from the Low and Moderate Income Housing Fund with appropriate findings from its legislative body.

Note 15: California Redevelopment Agency Dissolution

On July 18, 2011, the California Redevelopment Association ("CRA") and the League of California Cities ("League") filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, AB1X 26 and 27 (*California Redevelopment Association v. Matosantos*). AB1X 26 dissolves redevelopment agencies effective October 1, 2011. AB1X 27 gave redevelopment agencies an option to avoid dissolution if it commits to making defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amounted to a state-wide total of \$1.7 billion. In 2012-13 and subsequent years, the payments totaled \$400 million, annually. Each city or county's share of these payments was determined based on its proportionate share of state-wide tax increment.

On August 17, 2011 the Supreme Court issued a stay of the implementation of AB1X 26 and 27 which allowed a redevelopment agency to continue if it adopted an AB1X 27 ordinance. However, because of the effect of the stay order, the authority for the Redevelopment Agency to engage in most activities was suspended.

The Supreme Court heard oral arguments on November 10, 2011 and on December 29, 2011 announced its decision in (*California Redevelopment Association v. Matosantos*). The court upheld AB1X 26 which eliminates redevelopment agencies, but invalidated in its entirety AB1X 27 which allowed redevelopment agencies to continue as long as they made the required payments. AB1X26 established deadlines for the process of Redevelopment Agency dissolution and the handling of existing obligations. The Court extended certain deadlines of AB1X 26 in its ruling by four months. The full text of AB1X 26 may be obtained from the California legislative information website maintained by the Legislative Counsel of the State of California at: <http://www.leginfo.ca.gov/bilinfo.html>.

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	<u>Special Revenue Funds</u>			
	<u>Gas Tax</u>	<u>Prop A Tax</u>	<u>Residential Construction</u>	<u>CDBG Grant</u>
Assets:				
Cash and investments	\$ 1,501,456	\$ 571,714	\$ 187,276	\$ -
Receivables:				
Contract and notes	-	-	-	-
Due from other governments	88,611	-	-	153,106
Total Assets	<u>\$ 1,590,067</u>	<u>\$ 571,714</u>	<u>\$ 187,276</u>	<u>\$ 153,106</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 19,168	\$ -	\$ 141,573
Accrued liabilities	1,396	113	-	259
Deferred revenues	-	-	-	153,106
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	26,331
Total Liabilities	<u>1,396</u>	<u>19,281</u>	<u>-</u>	<u>321,269</u>
Fund Balances:				
Nonspendable:				
Contract and notes	-	-	-	-
Restricted for:				
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	1,588,671	552,433	187,276	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(168,163)</u>
Total Fund Balances	<u>1,588,671</u>	<u>552,433</u>	<u>187,276</u>	<u>(168,163)</u>
Total Liabilities and Fund Balances	<u>\$ 1,590,067</u>	<u>\$ 571,714</u>	<u>\$ 187,276</u>	<u>\$ 153,106</u>

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

(Continued)

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Assets:				
Cash and investments	\$ -	\$ 75,556	\$ 35,454	\$ 110
Receivables:				
Contract and notes	-	-	-	-
Due from other governments	100,000	-	43	-
Total Assets	\$ 100,000	\$ 75,556	\$ 35,497	\$ 110
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,934	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	53,441	-	-
Due to other funds	100,844	-	-	-
Total Liabilities	100,844	53,441	1,934	-
Fund Balances:				
Nonspendable:				
Contract and notes	-	-	-	-
Restricted for:				
Public safety	-	22,115	-	110
Parks and recreation	-	-	33,563	-
Public works	-	-	-	-
Unassigned	(844)	-	-	-
Total Fund Balances	(844)	22,115	33,563	110
Total Liabilities and Fund Balances	\$ 100,000	\$ 75,556	\$ 35,497	\$ 110

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue Funds		Capital Projects	Total Nonmajor Governmental Funds
	Parks Grant Fund	Prop 1B	Fund Housing Redevelopment	
Assets:				
Cash and investments	\$ 91	\$ 318,687	\$ -	\$ 2,690,344
Receivables:				
Contract and notes	-	-	3,349,453	3,349,453
Due from other governments	-	-	21,463	363,223
Total Assets	\$ 91	\$ 318,687	\$ 3,370,916	\$ 6,403,020
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 630	\$ 87,924	\$ 251,229
Accrued liabilities	-	-	3,497	5,265
Deferred revenues	-	-	305,998	459,104
Unearned revenues	-	-	-	53,441
Due to other funds	-	-	264,301	391,476
Total Liabilities	-	630	661,720	1,160,515
Fund Balances:				
Nonspendable:				
Contract and notes	-	-	3,043,455	3,043,455
Restricted for:				
Public safety	-	-	-	22,225
Parks and recreation	91	-	-	33,654
Public works	-	318,057	-	2,646,437
Unassigned	-	-	(334,259)	(503,266)
Total Fund Balances	91	318,057	2,709,196	5,242,505
Total Liabilities and Fund Balances	\$ 91	\$ 318,687	\$ 3,370,916	\$ 6,403,020

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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, 2011

	Special Revenue Funds			
	Gas Tax	Prop A Tax	Residential Construction	CDBG Grant
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Intergovernmental	723,312	1,502,000	-	118,272
Use of money and property	17,106	1,354	1,972	(338)
Total Revenues	740,418	1,503,354	1,972	117,934
Expenditures:				
Current:				
General government	3,327	-	-	12,880
Public safety	-	-	120	-
Parks and recreation	-	-	-	-
Public works	2,889	6,221	-	-
Capital outlay	73,823	870,698	-	252,456
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	80,039	876,919	120	265,336
Excess (Deficiency) of Revenues Over (Under) Expenditures	660,379	626,435	1,852	(147,402)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(382,437)	(166,500)	-	-
Total Other Financing Sources (Uses)	(382,437)	(166,500)	-	-
Net Change in Fund Balances	277,942	459,935	1,852	(147,402)
Fund Balances, Beginning of Year	1,310,729	92,498	185,424	(20,761)
Fund Balances, End of Year	\$ 1,588,671	\$ 552,433	\$ 187,276	\$ (168,163)

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

(Continued)

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	13,352	-
Intergovernmental	100,000	26,790	-	-
Use of money and property	(718)	915	303	1
Total Revenues	99,282	27,705	13,655	1
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	100,000	26,790	-	-
Parks and recreation	-	-	24,046	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	100,000	26,790	24,046	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(718)	915	(10,391)	1
Other Financing Sources (Uses):				
Transfers in	-	-	10,385	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	10,385	-
Net Change in Fund Balances	(718)	915	(6)	1
Fund Balances, Beginning of Year	(126)	21,200	33,569	109
Fund Balances, End of Year	\$ (844)	\$ 22,115	\$ 33,563	\$ 110

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Parks Grant Fund	Prop 1B	Housing Redevelopment	
Revenues:				
Taxes	\$ -	\$ -	\$ 1,361,170	\$ 1,361,170
Assessments	-	-	-	13,352
Intergovernmental	-	411,931	-	2,882,305
Use of money and property	-	2,542	72,326	95,463
Total Revenues	-	414,473	1,433,496	4,352,290
Expenditures:				
Current:				
General government	-	-	939,189	955,396
Public safety	-	-	-	126,910
Parks and recreation	-	-	-	24,046
Public works	-	-	-	9,110
Capital outlay	-	117,603	2,903	1,317,483
Debt service:				
Principal retirement	-	-	90,000	90,000
Interest and fiscal charges	-	-	220,466	220,466
Total Expenditures	-	117,603	1,252,558	2,743,411
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	296,870	180,938	1,608,879
Other Financing Sources (Uses):				
Transfers in	-	-	-	10,385
Transfers out	-	-	(7,742,649)	(8,291,586)
Total Other Financing Sources (Uses)	-	-	(7,742,649)	(8,281,201)
Net Change in Fund Balances	-	296,870	(7,561,711)	(6,672,322)
Fund Balances, Beginning of Year	91	21,187	10,270,907	11,914,827
Fund Balances, End of Year	\$ 91	\$ 318,057	\$ 2,709,196	\$ 5,242,505

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,310,729	\$ 1,310,729	\$ 1,310,729	\$ -
Resources (Inflows):				
Intergovernmental	521,000	521,000	723,312	202,312
Use of money and property	7,000	7,000	17,106	10,106
Amounts Available for Appropriations	1,838,729	1,838,729	2,051,147	212,418
Charges to Appropriations (Outflow):				
General government	-	70,000	3,327	66,673
Public works	-	-	2,889	(2,889)
Capital outlay	-	-	73,823	(73,823)
Transfers out	653,546	671,546	382,437	289,109
Total Charges to Appropriations	653,546	741,546	462,476	279,070
Budgetary Fund Balance, June 30	\$ 1,185,183	\$ 1,097,183	\$ 1,588,671	\$ 491,488

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
PROP A TAX
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 92,498	\$ 92,498	\$ 92,498	\$ -
Resources (Inflows):				
Intergovernmental	690,000	690,000	1,502,000	812,000
Use of money and property	10,000	10,000	1,354	(8,646)
Amounts Available for Appropriations	792,498	792,498	1,595,852	803,354
Charges to Appropriations (Outflow):				
Public works	-	8,000	6,221	1,779
Capital outlay	-	-	870,698	(870,698)
Transfers out	207,000	207,000	166,500	40,500
Total Charges to Appropriations	207,000	215,000	1,043,419	(828,419)
Budgetary Fund Balance, June 30	\$ 585,498	\$ 577,498	\$ 552,433	\$ (25,065)

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
RESIDENTIAL CONSTRUCTION
YEAR ENDED JUNE 30, 2011**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 185,424	\$ 185,424	\$ 185,424	\$ -
Resources (Inflows):				
Use of money and property	5,000	5,000	1,972	(3,028)
Amounts Available for Appropriations	190,424	190,424	187,396	(3,028)
Charges to Appropriations (Outflow):				
Public safety	(15,000)	(15,000)	120	(15,120)
Total Charges to Appropriations	(15,000)	(15,000)	120	(15,120)
Budgetary Fund Balance, June 30	\$ 205,424	\$ 205,424	\$ 187,276	\$ (18,148)

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 CDBG GRANT
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (20,761)	\$ (20,761)	\$ (20,761)	\$ -
Resources (Inflows):				
Intergovernmental	140,000	140,000	118,272	(21,728)
Use of money and property	-	-	(338)	(338)
Amounts Available for Appropriations	119,239	119,239	97,173	(22,066)
Charges to Appropriations (Outflow):				
General government	-	231,666	12,880	218,786
Capital outlay	-	-	252,456	(252,456)
Total Charges to Appropriations	-	231,666	265,336	(33,670)
Budgetary Fund Balance, June 30	\$ 119,239	\$ (112,427)	\$ (168,163)	\$ (55,736)

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2011**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (126)	\$ (126)	\$ (126)	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	100,000	-
Use of money and property	1,000	1,000	(718)	(1,718)
Amounts Available for Appropriations	100,874	100,874	99,156	(1,718)
Charges to Appropriations (Outflow):				
Public safety	100,000	100,000	100,000	-
Total Charges to Appropriations	100,000	100,000	100,000	-
Budgetary Fund Balance, June 30	\$ 874	\$ 874	\$ (844)	\$ (1,718)

CITY OF IMPERIAL BEACH

**BUDGETARY COMPARISON SCHEDULE
LIGHTING DISTRICT #67
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 33,569	\$ 33,569	\$ 33,569	\$ -
Resources (Inflows):				
Assessments	12,000	12,000	13,352	1,352
Use of money and property	-	-	303	303
Transfers in	23,000	23,000	10,385	(12,615)
Amounts Available for Appropriations	68,569	68,569	57,609	(10,960)
Charges to Appropriations (Outflow):				
Parks and recreation	35,000	35,000	24,046	10,954
Total Charges to Appropriations	35,000	35,000	24,046	10,954
Budgetary Fund Balance, June 30	\$ 33,569	\$ 33,569	\$ 33,563	\$ (6)

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 PROP 1B
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 21,187	\$ 21,187	\$ 21,187	\$ -
Resources (Inflows):				
Intergovernmental	-	-	411,931	411,931
Use of money and property	1,000	1,000	2,542	1,542
Amounts Available for Appropriations	22,187	22,187	435,660	413,473
Charges to Appropriations (Outflow):				
Capital outlay	-	-	117,603	(117,603)
Total Charges to Appropriations	-	-	117,603	(117,603)
Budgetary Fund Balance, June 30	\$ 22,187	\$ 22,187	\$ 318,057	\$ 295,870

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2011

	<u>Vehicle Replacement & Maintenance</u>	<u>Self-Insurance</u>	<u>Technology & Communication</u>
Assets:			
Current:			
Cash and investments	\$ 1,340,345	\$ 3,269,755	\$ 603,791
Receivables:			
Accounts	7,739	-	-
Due from other agencies	21,602	8,637	-
Inventories	3,083	-	-
Total Current Assets	<u>1,372,769</u>	<u>3,278,392</u>	<u>603,791</u>
Noncurrent:			
Capital assets - net of accumulated depreciation	764,773	-	40,447
Total Noncurrent Assets	<u>764,773</u>	<u>-</u>	<u>40,447</u>
Total Assets	<u>\$ 2,137,542</u>	<u>\$ 3,278,392</u>	<u>\$ 644,238</u>
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 7,928	\$ 1,129	\$ 8,250
Accrued liabilities	5,333	1,627	3,968
Accrued compensated absences	9,361	2,325	4,380
Accrued claims and judgments	-	296,782	-
Total Current Liabilities	<u>22,622</u>	<u>301,863</u>	<u>16,598</u>
Noncurrent:			
Accrued compensated absences	31,294	4,800	2,433
Accrued claims and judgments	-	386,063	-
Total Noncurrent Liabilities	<u>31,294</u>	<u>390,863</u>	<u>2,433</u>
Total Liabilities	<u>53,916</u>	<u>692,726</u>	<u>19,031</u>
Net Assets:			
Invested in capital assets, net of related debt	764,773	-	40,447
Unrestricted	1,318,853	2,585,666	584,760
Total Net Assets	<u>2,083,626</u>	<u>2,585,666</u>	<u>625,207</u>
Total Liabilities and Net Assets	<u>\$ 2,137,542</u>	<u>\$ 3,278,392</u>	<u>\$ 644,238</u>

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2011

	<u>Facilities Repair & Maintenance</u>	<u>Total</u>
Assets:		
Current:		
Cash and investments	\$ 303,172	\$ 5,517,063
Receivables:		
Accounts	-	7,739
Due from other agencies	-	30,239
Inventories	-	3,083
Total Current Assets	<u>303,172</u>	<u>5,558,124</u>
Noncurrent:		
Capital assets - net of accumulated depreciation	-	805,220
Total Noncurrent Assets	<u>-</u>	<u>805,220</u>
Total Assets	<u>\$ 303,172</u>	<u>\$ 6,363,344</u>
Liabilities and Net Assets:		
Liabilities:		
Current:		
Accounts payable	\$ -	\$ 17,307
Accrued liabilities	-	10,928
Accrued compensated absences	-	16,066
Accrued claims and judgments	-	296,782
Total Current Liabilities	<u>-</u>	<u>341,083</u>
Noncurrent:		
Accrued compensated absences	-	38,527
Accrued claims and judgments	-	386,063
Total Noncurrent Liabilities	<u>-</u>	<u>424,590</u>
Total Liabilities	<u>-</u>	<u>765,673</u>
Net Assets:		
Invested in capital assets, net of related debt	-	805,220
Unrestricted	303,172	4,792,451
Total Net Assets	<u>303,172</u>	<u>5,597,671</u>
Total Liabilities and Net Assets	<u>\$ 303,172</u>	<u>\$ 6,363,344</u>

CITY OF IMPERIAL BEACH

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011**

	<u>Vehicle Replacement & Maintenance</u>	<u>Self-Insurance</u>	<u>Technology & Communication</u>
Operating Revenues:			
Sales and service charges	\$ 361,032	\$ 621,721	\$ 335,708
Miscellaneous	141,818	8,637	137
Total Operating Revenues	502,850	630,358	335,845
Operating Expenses:			
Services and supplies	263,505	90,873	193,129
Claims expense	-	630,898	-
Depreciation expense	130,255	-	18,753
Personnel and administrative	271,263	97,310	179,057
Total Operating Expenses	665,023	819,081	390,939
Operating Income (Loss)	(162,173)	(188,723)	(55,094)
Nonoperating Revenues (Expenses):			
Interest revenue	14,378	34,695	5,753
Gain (loss) on disposal of capital assets	-	-	477
Total Nonoperating Revenues (Expenses)	14,378	34,695	6,230
Income (Loss) Before Transfers	(147,795)	(154,028)	(48,864)
Transfers in	-	-	-
Transfers out	-	(276,000)	-
Changes in Net Assets	(147,795)	(430,028)	(48,864)
Net Assets:			
Beginning of Year	2,231,421	3,015,694	674,071
End of Fiscal Year	\$ 2,083,626	\$ 2,585,666	\$ 625,207

CITY OF IMPERIAL BEACH

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011**

	Facilities Repair & Maintenance	Total
Operating Revenues:		
Sales and service charges	\$ -	\$ 1,318,461
Miscellaneous	-	150,592
Total Operating Revenues	-	1,469,053
Operating Expenses:		
Services and supplies	26,862	574,369
Claims expense	-	630,898
Depreciation expense	-	149,008
Personnel and administrative	1,943	549,573
Total Operating Expenses	28,805	1,903,848
Operating Income (Loss)	(28,805)	(434,795)
Nonoperating Revenues (Expenses):		
Interest revenue	3,276	58,102
Gain (loss) on disposal of capital assets	-	477
Total Nonoperating Revenues (Expenses)	3,276	58,579
Income (Loss) Before Transfers	(25,529)	(376,216)
Transfers in	5,000	5,000
Transfers out	(8,000)	(284,000)
Changes in Net Assets	(28,529)	(655,216)
Net Assets:		
Beginning of Year	331,701	6,252,887
End of Fiscal Year	\$ 303,172	\$ 5,597,671

CITY OF IMPERIAL BEACH

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011**

	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication
Cash Flows from Operating Activities:			
Cash received from/(paid to) interfund service provided	\$ 490,669	\$ 694,259	\$ 335,845
Cash paid to suppliers for goods and services	(267,955)	(436,522)	(200,771)
Cash paid to employees for services	(270,832)	(99,185)	(178,175)
Net Cash Provided (Used) by Operating Activities	(48,118)	158,552	(43,101)
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	-	(276,000)	-
Cash transfers in	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	-	(276,000)	-
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(48,001)	-	(22,641)
Net Cash Provided (Used) by Capital and Related Financing Activities	(48,001)	-	(22,641)
Cash Flows from Investing Activities:			
Interest received	14,378	34,695	5,753
Net Cash Provided (Used) by Investing Activities	14,378	34,695	5,753
Net Increase (Decrease) in Cash and Cash Equivalents	(81,741)	(82,753)	(59,989)
Cash and Cash Equivalents at Beginning of Year	1,422,086	3,352,508	663,780
Cash and Cash Equivalents at End of Year	\$ 1,340,345	\$ 3,269,755	\$ 603,791
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (162,173)	\$ (188,723)	\$ (55,094)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	130,255	-	18,753
(Increase) decrease in accounts receivable	(7,739)	-	-
(Increase) decrease in due from other agencies	(4,442)	63,901	-
Increase (decrease) in accounts payable	(4,450)	(7,273)	(7,642)
Increase (decrease) in accrued liabilities	(469)	(1,002)	(199)
Increase (decrease) in claims and judgments	-	292,522	-
Increase (decrease) in compensated absences	900	(873)	1,081
Total Adjustments	114,055	347,275	11,993
Net Cash Provided (Used) by Operating Activities	\$ (48,118)	\$ 158,552	\$ (43,101)

Non-Cash Investing, Capital, and Financing Activities:

During fiscal year 2010-2011, there was no noncash investing, capital of financing activities.

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	Facilities Repair & Maintenance	Total
Cash Flows from Operating Activities:		
Cash received from/(paid to) interfund service provided	\$ -	\$ 1,520,773
Cash paid to suppliers for goods and services	(26,862)	(932,110)
Cash paid to employees for services	(2,061)	(550,253)
Net Cash Provided (Used) by Operating Activities	(28,923)	38,410
Cash Flows from Non-Capital Financing Activities:		
Cash transfers out	(8,000)	(284,000)
Cash transfers in	5,000	5,000
Net Cash Provided (Used) by Non-Capital Financing Activities	(3,000)	(279,000)
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	-	(70,642)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(70,642)
Cash Flows from Investing Activities:		
Interest received	3,276	58,102
Net Cash Provided (Used) by Investing Activities	3,276	58,102
Net Increase (Decrease) in Cash and Cash Equivalents	(28,647)	(253,130)
Cash and Cash Equivalents at Beginning of Year	331,819	5,770,193
Cash and Cash Equivalents at End of Year	\$ 303,172	\$ 5,517,063
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (28,805)	\$ (434,795)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	-	149,008
(Increase) decrease in accounts receivable	-	(7,739)
(Increase) decrease in due from other agencies	-	59,459
Increase (decrease) in accounts payable	-	(19,365)
Increase (decrease) in accrued liabilities	(118)	(1,788)
Increase (decrease) in claims and judgments	-	292,522
Increase (decrease) in compensated absences	-	1,108
Total Adjustments	(118)	473,205
Net Cash Provided (Used) by Operating Activities	\$ (28,923)	\$ 38,410

Non-Cash Investing, Capital, and Financing Activities:

During fiscal year 2010-2011, there was no noncash inve:

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2011

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2011</u>
<u>Special Assessment Districts</u>				
Assets:				
Cash and investments	\$ 552,691	\$ 572,682	\$ 616,332	\$ 509,041
Total Assets	<u>\$ 552,691</u>	<u>\$ 572,682</u>	<u>\$ 616,332</u>	<u>\$ 509,041</u>
Liabilities:				
Deposits payable	\$ 552,691	\$ 2,295,243	\$ 2,338,893	\$ 509,041
Total Liabilities	<u>\$ 552,691</u>	<u>\$ 2,295,243</u>	<u>\$ 2,338,893</u>	<u>\$ 509,041</u>