

*City of Imperial Beach,  
California*

IMPERIAL BEACH

**FINANCIAL STATEMENTS  
FISCAL YEAR ENDED  
JUNE 30, 2023**



CITY OF IMPERIAL BEACH, CALIFORNIA  
FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2023

# *City of Imperial Beach*

## **Financial Statements For the Fiscal Year Ended June 30, 2023**

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### TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position .....	19
Statement of Activities .....	20
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	23
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	25
Statement of Net Position – Proprietary Funds .....	26
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds .....	27
Statement of Cash Flows – Proprietary Funds .....	28
Statement of Fiduciary Net Position – Fiduciary Funds .....	29
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	30
Notes to Financial Statements .....	31

# City of Imperial Beach

## Financial Statements For the Fiscal Year Ended June 30, 2023

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### TABLE OF CONTENTS

	<u>Page Number</u>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Proportionate Share of the Net Pension Liability And Related Ratios as of the Measurement Date .....	81
Schedule of Plan Contributions .....	82
Schedule of Changes in the Net OPEB Liability and Related Ratios .....	83
Schedule of Plan Contributions .....	84
Budgetary Comparison Schedule by Department General Fund .....	85
Budgetary Comparison Schedule Miscellaneous Grants Fund .....	86
Notes to Required Supplementary Information .....	87
<b>COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES</b>	
Combining Balance Sheet – Nonmajor Governmental Funds .....	89
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	92
Budgetary Comparison Schedules – Special Revenue Funds	
Gas Tax .....	95
Prop A Tax .....	96
CDBG Grant .....	97
Supplemental Law Enforcement .....	98
RMRA .....	99
Housing Authority .....	100
Budgetary Comparison Schedules – Capital Projects Funds	
Parks Maintenance CIP .....	101
Capital Projects .....	102
Combining Statement of Net Position – Internal Service Funds .....	103

*City of Imperial Beach*

**Financial Statements  
For the Fiscal Year Ended  
June 30, 2023**

---

TABLE OF CONTENTS

	<u>Page Number</u>
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds .....	104
Combining Statement of Cash Flows – Internal Service Funds .....	105
Combining Statement of Fiduciary Net Position – All Custodial Funds .....	106
Combining Statement of Changes in Fiduciary Net Position – All Custodial Funds .....	108

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*Independent Auditors' Report*

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

**Report on the Audit of the Financial Statements**

**PARTNERS**

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Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
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Gardenya Duran, CPA, CGMA  
Brianna Schultz, CPA, CGMA  
Brenda L. Odle, CPA, MST (Partner Emeritus)

**Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Imperial Beach, California (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**MANAGERS / STAFF**

Seong-Hyea Lee, CPA, MBA  
Evelyn Morentin-Barcena, CPA  
Veronica Hernandez, CPA  
Laura Arvizu, CPA  
John Maldonado, CPA, MSA  
Julia Rodriguez Fuentes, CPA, MSA  
Demi Hite, CPA  
Jeffrey McKennan, CPA

In our opinion, the accompanying 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

**MEMBERS**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants



## ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
November 20, 2023

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# *City of Imperial Beach*

## **Management's Discussion and Analysis For the Year Ended June 30, 2023**

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The City of Imperial Beach (the City) offers readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023. The contents of this overview are not a substitute for the more complete analysis found in the financial statements and readers are encouraged to consider this discussion in conjunction with information included in the more comprehensive financial statements.

### **FINANCIAL HIGHLIGHTS**

- At the government-wide reporting level, the assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$88,272,059 (net position). This combined net position reflects restricted and unrestricted funds, as well as investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The unrestricted position represents \$17,731,346 of the total. The City's total net position increased \$2,081,787 from the prior fiscal year. The change is mainly attributable to current-year business activities of the sewer fund along with an increase in tax revenues received by the Primary Government offset by an increase in operating expenditure as the City returned to pre-pandemic levels of operations and also continued to expand services provided in areas such as parks and recreation.
- The Citywide fund level revenue recorded for the fiscal year ending June 30, 2023 was \$40,354,466 inclusive of the General Fund, Miscellaneous Grant Fund, Other Government Funds, and the Sewer Fund. The Successor Agency to the former Redevelopment Agency revenue is not included in the Citywide revenue because the Successor Agency is considered a separate entity and not technically part of the municipal corporation. Conversely, the Citywide fund level expenditures and expenses (excluding transfers) for the fiscal year ending on June 30, 2023 were \$38,272,679.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$22,598,750, an increase of \$3,804,187 in comparison with the prior year. Of this amount, \$12,154,620, or 53.8% constitutes the Unassigned Fund Balance, which is available for spending at the discretion of the City Council. The remaining \$10,444,130 is either non-spendable, restricted, committed, or assigned.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was \$17,805,452. The unassigned fund balance of the General Fund was \$12,154,620 or approximately 44.2% of total FY2023 General Fund expenditures and transfers.

# *City of Imperial Beach*

## **Management's Discussion and Analysis For the Year Ended June 30, 2023**

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### **OVERVIEW OF THE ANNUAL FINANCIAL REPORT**

This section of the Management's Discussion and Analysis is a review of the City's basic financial statements which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the content of the financial statements.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements mentioned above distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community development, parks, recreation and senior center, and public works. The business-type activities of the City include Sewer operation.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following blended component units: the Imperial Beach Public Financing Authority (Financing Authority), and the Imperial Beach Housing Authority (Housing Authority), for which the City is financially accountable. The Financing Authority and the Housing Authority, although also legally separate, function for all practical purposes as a department of the City. The report also provides financial information for include legally separate Successor Agency of the former Redevelopment Agency. Financial information for this separate unit is reported as Private-Purpose fiduciary fund, separately from the financial information presented for the primary government itself.

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

## *City of Imperial Beach*

### **Management's Discussion and Analysis For the Year Ended June 30, 2023**

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

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

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Miscellaneous Grant Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation as "Other Government Funds". Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts bi-annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget, as noted in the table of contents.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for these business-type activities, which is considered to be a major fund of the City.

## *City of Imperial Beach*

### **Management's Discussion and Analysis For the Year Ended June 30, 2023**

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

The City maintains two different types of fiduciary funds. The Private-Purpose Trust Fund is used to report resources held in trust for other entities. The Custodial Funds report resources held by the City in a custodial capacity for individuals, private organizations, and other governments. The City current has five Custodial Funds (Special Assessment Districts), and one Private Trust Fund (the Successor Agency of the Former RDA).

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

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's schedule of changes in the net pension liability and related ratios (miscellaneous employees), schedule of City's proportionate share of the net pension liability and related ratios as of the measurement date (safety employees), schedules of plan contributions (both miscellaneous and safety employees), schedule of changes in the net OPEB liability and related ratios, and general fund and major special revenue funds' budgetary schedules.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

# City of Imperial Beach

## Management's Discussion and Analysis For the Year Ended June 30, 2023

### GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$88,272,059, at the close of the most recent fiscal year. That represents an increase of \$2,081,787 from \$86,190,272 on June 30, 2022.

#### City of Imperial Beach's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 35,595,900	\$ 29,357,337	\$ 5,186,620	\$ 4,019,980	\$ 40,782,520	\$ 33,377,317
Capital assets, net	58,045,385	56,765,536	9,231,702	9,093,514	67,277,087	65,859,050
Total assets	93,641,285	86,122,873	14,418,322	13,113,494	108,059,607	99,236,367
Deferred outflows of resources	9,352,410	5,354,322	212,337	121,565	9,564,747	5,475,887
Non-current liabilities	14,932,887	5,764,170	300,500	95,521	15,233,387	5,859,691
Other liabilities	10,934,365	7,962,644	175,158	297,077	11,109,523	8,259,721
Total Liabilities	25,867,252	13,726,814	475,658	392,598	26,342,910	14,119,412
Deferred inflows of resources	2,942,576	4,304,833	66,809	97,737	3,009,385	4,402,570
Net position						
Net investment in capital assets	56,551,187	56,649,160	9,231,702	9,093,514	65,782,889	65,742,674
Restricted	4,757,824	2,860,859	-	-	4,757,824	2,860,859
Unrestricted	12,874,856	13,935,529	4,856,490	3,651,210	17,731,346	17,586,739
Total net position	\$ 74,183,867	\$ 73,445,548	\$ 14,088,192	\$ 12,744,724	\$ 88,272,059	\$ 86,190,272

By far, the largest portion of the City's net position 74.5% reflects its investment in capital assets (e.g., land, buildings, furniture and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (5.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$17,731,346 is unrestricted, which is available for spending at the discretion of the City Council.

## *City of Imperial Beach*

### **Management's Discussion and Analysis For the Year Ended June 30, 2023**

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At the end of the 2022-2023 fiscal year, the City is able to report positive balances for both the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's overall net position increased \$2,081,787 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$738,319 from the prior fiscal year for an ending balance of \$74,183,867. The increase in the overall net position of governmental activities is the result of revenues slightly exceeding expenditures. The City experienced a year-over year increase in various general revenues (sales tax, property tax, franchise tax, transient occupancy tax, etc.) of \$2.6 million received by the Primary Government, offset by a significant increase in operating expenditures of \$9.0 million as the City returned normal operations post pandemic, gradually reversed the pandemic hiring and spending freeze and funded some urgently needed maintenance and capital improvements projects, filled opened positions and also continued to expand services in areas such as parks and recreation and community services.

# City of Imperial Beach

## Management's Discussion and Analysis For the Year Ended June 30, 2023

### City of Imperial Beach's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,418,466	\$ 1,922,230	\$ 6,861,442	\$ 6,217,535	\$ 9,279,908	\$ 8,139,765
Operating contributions and grants	7,412,916	7,916,615	-	-	7,412,916	7,916,615
Capital contributions and grants	1,919,284	2,022,727	-	-	1,919,284	2,022,727
General revenues:						
Property taxes	7,210,204	6,779,578	-	-	7,210,204	6,779,578
Transient occupancy taxes	1,563,419	1,353,140	-	-	1,563,419	1,353,140
Sales taxes	8,150,691	7,523,483	-	-	8,150,691	7,523,483
Franchise taxes	2,634,150	2,266,242	-	-	2,634,150	2,266,242
Business licenses taxes	316,271	377,130	-	-	316,271	377,130
Motor vehicle in lieu - unrestricted	27,171	32,086	-	-	27,171	32,086
Use of money and property	884,966	(4,228)	93,795	(91,194)	978,761	(95,422)
Miscellaneous	861,691	634,827	-	-	861,691	634,827
<b>Total Revenues</b>	<b>33,399,229</b>	<b>30,823,830</b>	<b>6,955,237</b>	<b>6,126,341</b>	<b>40,354,466</b>	<b>36,950,171</b>
<b>Expenses</b>						
General government	8,159,670	6,476,001	-	-	8,159,670	6,476,001
Public safety	17,116,283	10,802,947	-	-	17,116,283	10,802,947
Community development	-	166	-	-	-	166
Parks, recreation and senior center	2,856,254	1,961,009	-	-	2,856,254	1,961,009
Public works	4,480,268	4,454,317	-	-	4,480,268	4,454,317
Interest on long-term debt	48,435	9,972	-	-	48,435	9,972
Sewer	-	-	5,611,769	4,997,924	5,611,769	4,997,924
<b>Total Expenses</b>	<b>32,660,910</b>	<b>23,704,412</b>	<b>5,611,769</b>	<b>4,997,924</b>	<b>38,272,679</b>	<b>28,702,336</b>
Increase in Net Position						
Before Transfers	738,319	7,119,418	1,343,468	1,128,417	2,081,787	8,247,835
Transfers	-	(20,518)	-	20,518	-	-
Change in Net Position	738,319	7,098,900	1,343,468	1,148,935	2,081,787	8,247,835
Net Position, Beginning	73,445,548	67,441,938	12,744,724	12,138,080	86,190,272	79,580,018
Restatement of Net Position	-	(1,095,290)	-	(542,291)	-	(1,637,581)
Net Position, Ending	<u>\$ 74,183,867</u>	<u>\$ 73,445,548</u>	<u>\$ 14,088,192</u>	<u>\$ 12,744,724</u>	<u>\$ 88,272,059</u>	<u>\$ 86,190,272</u>

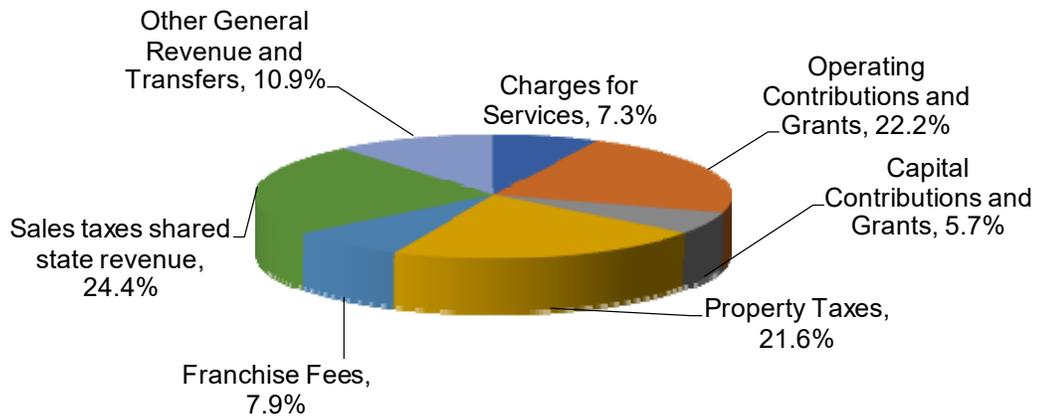
*City of Imperial Beach*

**Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

**GOVERNMENTAL ACTIVITIES  
Revenue by Source**

<b>Revenue Source</b>	<b>2023</b>	<b>Percent of Total</b>	<b>Increase (Decrease) From 2022</b>	<b>Percent Increase (Decrease)</b>
Charges for services	\$ 2,418,466	7.3%	\$ 496,236	20.5%
Operating contributions and grants	7,412,916	22.2%	(503,699)	-6.8%
Capital contributions and grants	1,919,284	5.7%	(103,443)	-5.4%
Property taxes	7,210,204	21.6%	430,626	6.0%
Sales taxes	8,150,691	24.4%	627,208	7.7%
Franchise fees	2,634,150	7.9%	367,908	14.0%
Other general revenue and transfers	3,653,518	10.9%	1,281,081	35.1%
<b>Total revenue</b>	<b>\$ 33,399,229</b>	<b>100.0%</b>	<b>\$ 2,595,917</b>	<b>7.8%</b>

**GOVERNMENTAL ACTIVITIES  
Revenue by Source  
Fiscal Year 2022-23**

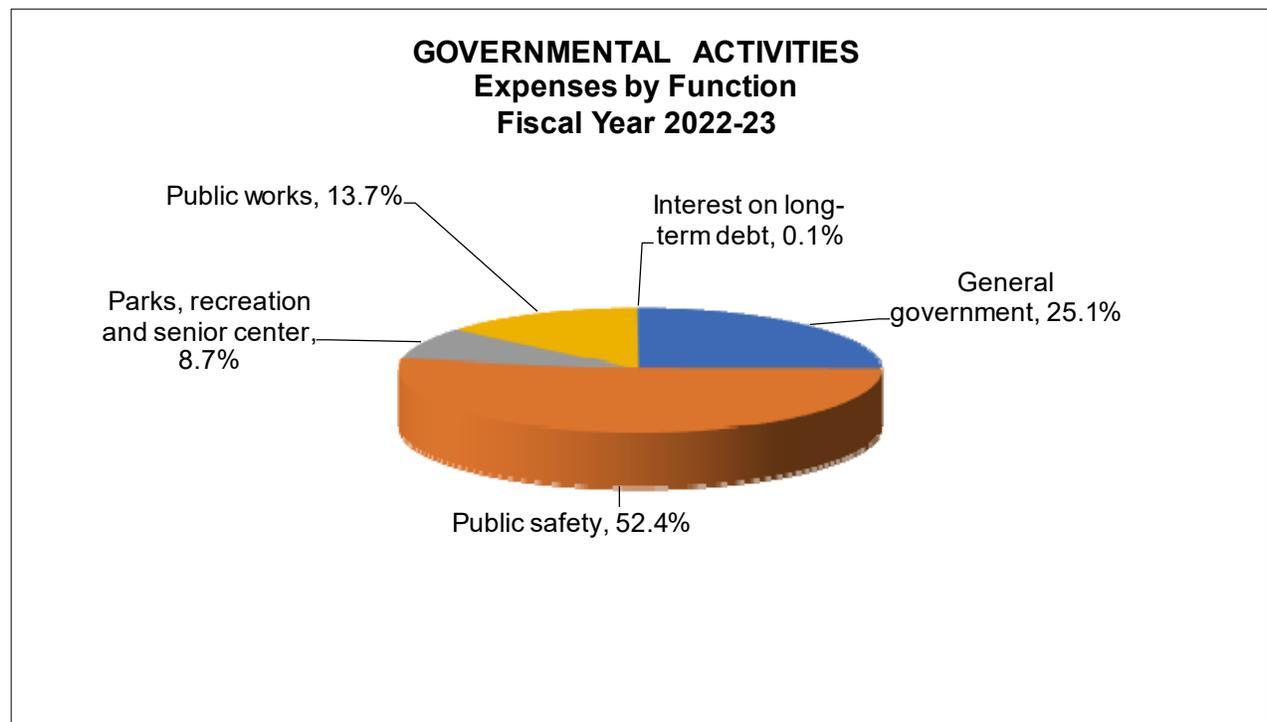


*City of Imperial Beach*

**Management’s Discussion and Analysis  
For the Year Ended June 30, 2023**

**GOVERNMENTAL ACTIVITIES  
Expenses by Function**

<b>Function</b>	<b>2023</b>	<b>Percent of Total</b>	<b>Increase (Decrease) From 2022</b>	<b>Percent Increase (Decrease)</b>
General government	\$ 8,159,670	25.1%	\$ 1,683,669	20.6%
Public safety	17,116,283	52.4%	6,313,336	36.9%
Parks, recreation and senior center	2,856,254	8.7%	895,245	31.3%
Public works	4,480,268	13.7%	25,951	0.6%
Interest on long-term debt	48,435	0.1%	38,463	79.4%
<b>Total expenses</b>	<b>\$ 32,660,910</b>	<b>100.0%</b>	<b>\$ 8,956,498</b>	<b>27.4%</b>



**Business-type Activities.** For the City’s business-type activities, the results for the current fiscal year were positive. Overall net position increased to an ending balance of \$14,088,192. The Wastewater Enterprise Fund accounts for the activity of a City-owned sewer operations. The total increase in net position for business-type activities was \$1,343,468 or 10.5% increase from the prior fiscal year.

# *City of Imperial Beach*

## **Management's Discussion and Analysis For the Year Ended June 30, 2023**

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### **FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

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

**Governmental Funds.** The focus of the City of Imperial Beach's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

On June 30, 2023, the City's governmental funds reported combined fund balances of \$22,598,750, an increase of \$3,804,187 in comparison to the prior year. Approximately 53.8% or \$12,154,620 of this amount constitutes an unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$35,474), 2) restricted for particular purposes (\$4,757,824), 3) committed for a certain use (\$4,200,000) or 3) assigned for particular purposes (\$1,450,832).

Capital outlay expenditures increased by \$1,044,191 or 94.4% due to activity of several ARPA funded facilities improvements projects and start of various larger street and parks projects.

### **Major Funds**

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$12,154,620, while the total fund balance increased by \$2,644,397 or 16.6% to \$18,578,766. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 44.2% of total FY2023 General Fund expenditures and transfers out, while total fund balance represents approximately 67.59% of that same amount.

The Miscellaneous Grants Fund, the other major fund, is used for reporting of various types of grants awarded to the City. This includes, but is not limited, to COVID-19 relief grants.

This Fund ended the year with a fund balance of \$167,936.

# *City of Imperial Beach*

## **Management's Discussion and Analysis For the Year Ended June 30, 2023**

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### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund, as presented in the financial statements and for purposes of financial reporting in conformity with generally accepted accounting principles (GAAP), is comprised of three funds including the General Fund, Community Benefit Fund, and PEG Fund. However, in the City's approved budget document, these funds are separately presented.

The City adopted a balanced General Fund budget for the fiscal year, originally budgeting \$25,159,345 in revenues (and transfers) and \$24,735,990 in expenditures (and transfers). During the year, amendments to the original budgeted appropriations were authorized by the City Council and minor amendments to reallocate appropriations among departments took place. The movement of the appropriations between departments was not significant and did not increase the overall operating budget.

The largest amendment to the revenue budget was related to the first full year of the Measure I sales tax revenue. Measure I – the Clean and Safe Neighborhoods Measure was passed in November 2020, approving a one cent Transaction Use Tax (sales tax) and was crucial in allowing the City to maintain the existing level of public safety and emergency response, as well as allowed for the creation of the City's new Parks and Recreation department. FY2023 was the first full year of revenue collection, and the budgeted estimate was adjusted upward as a result of the City receiving more revenue than expected.

Conversely, the expenditure transfer-out budget was increased during the year as funding for various parks and facility improvement projects were approved and transferred to respective CIP funds. Additional funding was also approved for some internal service funds (including fleet and informational technology).

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$67,277,087 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, furniture, machinery, equipment, and infrastructure. The total increase in capital assets for the current fiscal year was \$1,418,036, or an increase of approximately 2.2%, due to an increase in construction in progress offset by capital asset dispositions and depreciations.

## City of Imperial Beach

### Management's Discussion and Analysis For the Year Ended June 30, 2023

#### City of Imperial Beach's Capital Assets (Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 2,688,532	\$ 2,688,532	\$ -	\$ -	\$ 2,688,532	\$ 2,688,532
Infrastructure right-of-way	12,406,327	12,406,327	-	-	12,406,327	12,406,327
Construction in progress	3,195,823	825,364	716,436	426,861	3,912,259	1,252,225
Buildings and Improvements	4,072,242	4,493,003	-	-	4,072,242	4,493,003
Furniture and Equipment	1,478,767	1,040,106	-	-	1,478,767	1,040,106
Infrastructure	33,932,726	35,197,378	-	-	33,932,726	35,197,378
Right-to-use	270,968	114,827	4,082	-	275,050	114,827
Sewer	-	-	8,511,184	8,666,653	8,511,184	8,666,653
<b>Total</b>	<b>\$ 58,045,385</b>	<b>\$ 56,765,537</b>	<b>\$ 9,231,702</b>	<b>\$ 9,093,514</b>	<b>\$ 67,277,087</b>	<b>\$65,859,051</b>

The City completed several facilities parks, and infrastructure improvements during the fiscal year, including installation of exercise equipment in Veterans Park and also started construction on several larger parks, facilities, and street improvements projects.

Additional information on the City's capital assets can be found in Note 3 of this report.

**Non-Current Liabilities.** At the end of the current fiscal year, the City had total non-current outstanding liabilities of \$16,961,891. The City does not carry any debt backed by the full faith and credit of the government. The City's long-term obligations consisted of \$649,420 principal outstanding on Transnet Commercial Paper borrowing, \$509,858 principal outstanding on financed equipment, and \$334,920 of lease/subscription liability for printing equipment and subscription-based information technology agreements.

The City's pension-related debt in the California Public Employees Retirement System (CalPERS) as of June 30, 2023 consisted of an obligation to pay \$12,138,749 for net pension liability and \$1,302,641 in other post-retirement benefits. The pension unfunded liability significantly increased year-over-year by \$9,861,077 or 433%. The reasons are discussed in detail in Note 10 of this report.

The City also has a total obligation of \$1,198,303 for compensated absences (vacation and sick leave) for the existing employees of which \$383,696 is classified as non-current. The remainder of the City's long-term obligations of \$828,000 comprises of general liability and worker's compensation claims.

## City of Imperial Beach

### Management's Discussion and Analysis For the Year Ended June 30, 2023

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#### City of Imperial Beach's Non-Current Outstanding Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Compensated absences	\$ 1,141,635	\$ 1,072,291	\$ 56,668	\$ 39,021	\$ 1,198,303	\$ 1,111,312
Claims payable	828,000	700,000	-	-	828,000	700,000
Direct borrowings payable	1,159,278	798,362	-	-	1,159,278	798,362
Lease/subscription payable	334,920	116,376	-	-	334,920	116,376
Net pension liability	11,869,269	2,227,108	269,480	50,564	12,138,749	2,277,672
Total OPEB liability	<u>1,273,722</u>	<u>1,980,149</u>	<u>28,919</u>	<u>44,957</u>	<u>1,302,641</u>	<u>2,025,106</u>
<b>Total</b>	<b><u>\$ 16,606,824</u></b>	<b><u>\$ 6,894,286</u></b>	<b><u>\$ 355,067</u></b>	<b><u>\$ 134,542</u></b>	<b><u>\$ 16,961,891</u></b>	<b><u>\$ 7,028,828</u></b>

The City's total non-current liabilities as of June 30, 2023 increased by \$9,933,063 or 141% during the current fiscal year. The increase was due to the significant increase in net pension liability. Additional information on the City's long-term liabilities can be found in Notes 8, 9, 10, 11 and 12 of this report.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

When the pandemic struck in the winter of 2020, the City Council immediately adopted a Financial Preparation and Recovery Plan that reduced spending, implemented a "soft" hiring and spending freeze, and deferred spending on maintenance and capital projects. The City continued to gradually reverse these cost savings measures during FY2023 while carefully monitoring incoming revenues, as well as the overall economy. The primary focus continued to be on the deferred, but urgently needed, maintenance and capital improvements projects, funding of the newly established parks and recreation department, filling open positions in other departments to keep up with service demand. As revenues rebounded and the City's 1% Sales Tax, as well as the new Measure I Sales Tax, came in stronger than expected, several capital improvement projects such as the Sports Park bathroom remodel and various other facilities improvements were approved during FY2023.

Another approximately \$1.3 million of expenditure budget amendments was due to one-time transfers to the Internal Service Funds to strengthen the funds reserves in the City's fleet and informational technology departments for future needs. Additional increases resulted from capital improvement projects – both newly approved by the City Council and carried over from the prior period. As such, the fiscal year ended with expenditures slightly above budget by \$67,000. Much of the variance is related to adjustments required due to fiscal year-end accounting adjustments relating to OPEB valuation, and new accounting standards. The City does not budget for such items. In the prior fiscal year, the City experienced staffing shortages due to the challenging post-pandemic job market. In the current fiscal year, the City was able to recruit for many of the open positions which reflected as an increase in operating expenditures in the salary and benefits categories. The expenditure budgetary savings as seen in the prior year were not seen in the current year.

## *City of Imperial Beach*

### **Management's Discussion and Analysis For the Year Ended June 30, 2023**

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The General Fund revenue budget is expected to grow to \$28,704,900; however, due to the economic outlook, the revenue growth is expected to flatten in comparison with prior years. The City management carefully monitors economic factors and their effect on City revenues. The City's major sources of General Fund revenue include Property Tax, Sales and Measure I Tax, Port of San Diego, Transient Occupancy Tax (TOT), Gas Taxes, and Franchise Tax. These sources of revenue account for approximately 90% of the City's General Fund revenue. Property tax in particular may be negatively affected by the current environment of high interest rates. High cost of borrowing negatively affects property sales and capital investment activity and may also start to threaten property values as well as investment in the City in the near future.

In the November 2022 election, voters approved Measure R, increasing the TOT rate within the City of Imperial Beach. Measure R increased the TOT rate from the existing 10% to 14% effective January 1, 2023. However, recent concern regarding a state-wide challenge to all new local taxes adopted after January 1, 2022, which includes Measure R, has caused staff to proceed with caution in budgeting this new revenue source.

The General Fund expenses for FY2024 are projected to be \$29,454,500. Excess of budgeted expenditures over revenues is due to one-time capital and infrastructure investments and does not represent a structural deficit.

Several factors contribute to expenditure increase in FY2024 expenditures, such as, increases to contracts and staffing. The Sheriff's Department contract will increase by \$301,700 as a result of a step-up in contract cost and the addition of a school resource officer as part of a joint use agreement with the Sweetwater Union High School District. The proposed budget also includes increased funding for the staffing and operation of the Parks and Recreation department to provide additional programs focused on improving the health, wellness, and quality of life for City residents. The improvements include the new aquatics program, additional community events, increased staffing for the park ranger program, and other items aimed at assisting with park safety and City-wide maintenance. Further, personnel increases are being proposed in the Community Development department to ensure timely processing of city permits, and to assist with new technology implementation; Fire Department to develop a succession plan and to improve timeliness of safety inspections; Parks and Streets divisions to ensure proper infrastructure maintenance; and Mayor and City Council to improve public outreach.

In addition, inflationary pressures that are causing increases in the City's operating costs combined with a very significant increase in pension obligations seen in FY2023 are a cause for concern. To assist with the concerns with the rising pension and retiree costs, the City began contributing to a Section 115 Trust and will continue to prioritize these costs as pension related costs will be critical in the near and long term.

## *City of Imperial Beach*

### **Management's Discussion and Analysis For the Year Ended June 30, 2023**

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As the national and world economy continues to experience economic turbulences due to post-pandemic recovery, supply chain and labor market challenges, and global conflict, the City management will continue to carefully evaluate the effects of various factors on the FY2024 budget.

FY2024—FY2025 Biennial Budget document contains additional economic and budgetary detail, and it is available on the City's website or through the Finance Department.

#### **REQUESTS FOR INFORMATION**

This financial report provides a general overview of the City's financial documents for all those with an interest in the government's fiscal health. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lily Flyte, Finance Director, City of Imperial Beach, Finance Department, 825 Imperial Beach Blvd., Imperial Beach, CA 91932.

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# City of Imperial Beach

## Statement of Net Position June 30, 2023

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 29,835,377	\$ 6,109,723	\$ 35,945,100
Restricted cash and investments	737,840	-	737,840
Receivables:			
Accounts	822,257	552	822,809
Accrued interest	100,222	-	100,222
Internal balances	1,055,453	(1,055,453)	-
Prepaid costs	38,174	-	38,174
Due from other governments	3,006,577	131,798	3,138,375
Capital assets, not being depreciated	18,290,682	716,436	19,007,118
Capital assets, net of depreciation	39,754,703	8,515,266	48,269,969
<b>Total Assets</b>	<b>93,641,285</b>	<b>14,418,322</b>	<b>108,059,607</b>
<b>Deferred Outflows of Resources:</b>			
Deferred pension related items	8,418,962	191,144	8,610,106
Deferred OPEB related items	933,448	21,193	954,641
<b>Total Deferred Outflows of Resources</b>	<b>9,352,410</b>	<b>212,337</b>	<b>9,564,747</b>
<b>Liabilities:</b>			
Accounts payable	2,284,772	96,859	2,381,631
Accrued liabilities	232,111	23,732	255,843
Unearned revenue	5,579,602	-	5,579,602
Deposits payable	1,163,943	-	1,163,943
Compensated absences due in one year	760,040	54,567	814,607
Claims payable due in one year	178,000	-	178,000
Long-term liabilities due in one year	735,897	-	735,897
Noncurrent liabilities:			
Compensated absences due in more than one year	381,595	2,101	383,696
Claims payable due in more than one year	650,000	-	650,000
Long-term liabilities due in more than one year	758,301	-	758,301
Net Pension Liability	11,869,269	269,480	12,138,749
Net OPEB liability	1,273,722	28,919	1,302,641
<b>Total Liabilities</b>	<b>25,867,252</b>	<b>475,658</b>	<b>26,342,910</b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension related items	2,036,138	46,229	2,082,367
Deferred OPEB related items	906,438	20,580	927,018
<b>Total Deferred Inflows of Resources</b>	<b>2,942,576</b>	<b>66,809</b>	<b>3,009,385</b>
<b>Net Position:</b>			
Investment in capital assets	56,551,187	9,231,702	65,782,889
Restricted for:			
Community development	837,098	-	837,098
Public safety	1,000	-	1,000
Parks and recreation	1,264,802	-	1,264,802
Public works	1,917,084	-	1,917,084
Pension section 115 trust	737,840	-	737,840
Unrestricted	12,874,856	4,856,490	17,731,346
<b>Total Net Position</b>	<b>\$ 74,183,867</b>	<b>\$ 14,088,192</b>	<b>\$ 88,272,059</b>

See Notes to Financial Statements

*City of Imperial Beach*

**Statement of Activities  
Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 8,159,670	\$ 929,043	\$ 795	\$ -
Public safety	17,116,283	249,324	5,647,470	-
Community development	-	736,863	-	-
Parks, recreation and senior center	2,856,254	15,342	-	-
Public works	4,480,268	487,894	1,764,651	1,919,284
Interest on long-term liabilities	48,435	-	-	-
<b>Total Governmental Activities</b>	<b>32,660,910</b>	<b>2,418,466</b>	<b>7,412,916</b>	<b>1,919,284</b>
Business-Type Activities:				
Sewer	5,611,769	6,861,442	-	-
<b>Total Business-Type Activities</b>	<b>5,611,769</b>	<b>6,861,442</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 38,272,679</b>	<b>\$ 9,279,908</b>	<b>\$ 7,412,916</b>	<b>\$ 1,919,284</b>

**General Revenues:**

Taxes:

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

**Total General Revenues**

Change in Net Position

Net Position at Beginning of Year

**Net Position at End of Year**

<b>Net (Expenses) Revenues and Changes in Net Position Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (7,229,832)	\$ -	\$ (7,229,832)
(11,219,489)	-	(11,219,489)
736,863	-	736,863
(2,840,912)	-	(2,840,912)
(308,439)	-	(308,439)
(48,435)	-	(48,435)
<b>(20,910,244)</b>	<b>-</b>	<b>(20,910,244)</b>
-	1,249,673	1,249,673
-	<b>1,249,673</b>	<b>1,249,673</b>
<b>(20,910,244)</b>	<b>1,249,673</b>	<b>(19,660,571)</b>
7,210,204	-	7,210,204
1,563,419	-	1,563,419
8,150,691	-	8,150,691
2,634,150	-	2,634,150
316,271	-	316,271
27,171	-	27,171
884,966	93,795	978,761
861,691	-	861,691
<b>21,648,563</b>	<b>93,795</b>	<b>21,742,358</b>
738,319	1,343,468	2,081,787
73,445,548	12,744,724	86,190,272
<b>\$ 74,183,867</b>	<b>\$ 14,088,192</b>	<b>\$ 88,272,059</b>

# City of Imperial Beach

## Balance Sheet Governmental Funds June 30, 2023

	General	Special Revenue Fund Miscellaneous Grant	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Pooled cash and investments	\$ 18,685,231	\$ 4,647,083	\$ 3,817,533	\$ 27,149,847
Restricted cash and investments	737,840	-	-	737,840
Receivables:				
Accounts	821,414	-	843	822,257
Accrued interest	100,222	-	-	100,222
Prepaid costs	35,474	-	-	35,474
Due from other governments	2,427,277	250,374	230,651	2,908,302
Due from other funds	122,764	-	-	122,764
<b>Total Assets</b>	<b>\$ 22,930,222</b>	<b>\$ 4,897,457</b>	<b>\$ 4,049,027</b>	<b>\$ 31,876,706</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,965,343	\$ 184,740	\$ 71,465	\$ 2,221,548
Accrued liabilities	187,229	120	2,750	190,099
Unearned revenues	1,034,941	4,544,661	-	5,579,602
Deposits payable	1,163,943	-	-	1,163,943
Due to other funds	-	-	122,764	122,764
<b>Total Liabilities</b>	<b>4,351,456</b>	<b>4,729,521</b>	<b>196,979</b>	<b>9,277,956</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid costs	35,474	-	-	35,474
<b>Restricted for:</b>				
Community development projects	-	-	837,098	837,098
Public safety	-	-	1,000	1,000
Parks, recreation and senior center	-	167,936	1,096,866	1,264,802
Public works	-	-	1,917,084	1,917,084
Pension section 115 trust	737,840	-	-	737,840
<b>Committed to:</b>				
Economic uncertainty reserve	2,900,000	-	-	2,900,000
Public works	1,300,000	-	-	1,300,000
<b>Assigned to:</b>				
Public works strategic capital reserve	504,482	-	-	504,482
Public works projects	37,388	-	-	37,388
Community benefit	872,349	-	-	872,349
PEG	36,613	-	-	36,613
<b>Unassigned (deficit)</b>	<b>12,154,620</b>	<b>-</b>	<b>-</b>	<b>12,154,620</b>
<b>Total Fund Balances</b>	<b>18,578,766</b>	<b>167,936</b>	<b>3,852,048</b>	<b>22,598,750</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 22,930,222</b>	<b>\$ 4,897,457</b>	<b>\$ 4,049,027</b>	<b>\$ 31,876,706</b>

See Notes to Financial Statements

# City of Imperial Beach

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2023

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Fund balances of governmental funds	\$ 22,598,750
Amounts reported for governmental activities in the statement of net position are different because:	
Capital and intangible right to use assets have not been included as financial resources in governmental fund activity (excludes internal service funds). Capital assets net of depreciation and amortization	56,426,304
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.	(204)
Compensated absences, long term liabilities, net pension liability, and total OPEB liability that have not been included in the governmental fund activity (excludes internal service funds):	
Compensated absences	(1,106,530)
Long term liabilities	(748,341)
Net pension liability	(11,636,206)
Net OPEB liability	(1,248,712)
Deferred inflows and outflows of resources related to pension and OPEB that have not been included in the government fund activity (excludes internal service funds):	
Deferred outflows of resources - pension related	8,253,647
Deferred outflows of resources - OPEB related	915,119
Deferred inflows of resources - pension related	(1,996,156)
Deferred inflows of resources - OPEB related	(888,639)
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position. This also includes the portion reflected in the Sewer Enterprise Fund.	<u>3,614,835</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 74,183,867</u></b>

# City of Imperial Beach

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2023

	General	Special	Other	Total
		Revenue Fund		
		Miscellaneous	Funds	Funds
		Grant		
<b>Revenues:</b>				
Taxes	\$ 19,558,463	\$ -	\$ -	\$ 19,558,463
Licenses and permits	745,780	-	-	745,780
Intergovernmental	426,004	1,005,445	2,612,938	4,044,387
Charges for services	6,419,685	-	36,056	6,455,741
Use of money and property	620,607	44,080	173,648	838,335
Fines and forfeitures	404,873	-	-	404,873
Miscellaneous	990,954	-	17,915	1,008,869
<b>Total Revenues</b>	<b>29,166,366</b>	<b>1,049,525</b>	<b>2,840,557</b>	<b>33,056,448</b>
<b>Expenditures:</b>				
Current:				
General government	7,051,503	26,826	11,833	7,090,162
Public safety	14,030,392	-	222,260	14,252,652
Parks, recreation and senior center	2,270,753	1,931	-	2,272,684
Public works	2,278,195	164,944	15,632	2,458,771
Debt Service				
Principal	35,443	-	296,932	332,375
Interest	1,403	-	25,184	26,587
Capital outlay	211,972	855,163	1,082,168	2,149,303
<b>Total Expenditures</b>	<b>25,879,661</b>	<b>1,048,864</b>	<b>1,654,009</b>	<b>28,582,534</b>
Excess (Deficiency of Revenues Over (Under) Expenditures	3,286,705	661	1,186,548	4,473,914
<b>Other Financing Sources (Uses):</b>				
Subscription acquisition	16,451	-	-	16,451
Proceeds of commercial paper	-	-	148,000	148,000
Transfers in	950,252	-	800,000	1,750,252
Transfer out	(1,609,011)	(43,970)	(931,449)	(2,584,430)
<b>Total Other Financing Sources (Uses)</b>	<b>(642,308)</b>	<b>(43,970)</b>	<b>16,551</b>	<b>(669,727)</b>
Net Change in Fund Balances	2,644,397	(43,309)	1,203,099	3,804,187
Fund Balances at Beginning of Year	15,934,369	211,245	2,648,949	18,794,563
<b>Fund Balances at End of Year</b>	<b>\$ 18,578,766</b>	<b>\$ 167,936</b>	<b>\$ 3,852,048</b>	<b>\$ 22,598,750</b>

See Notes to Financial Statements

# City of Imperial Beach

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2023

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Net change in fund balances - total governmental funds \$ 3,804,187

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

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

Capital outlay	\$ 2,500,393	
Depreciation	(2,342,135)	
Amortization	<u>(51,593)</u>	106,665

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. (55,824)

The issuance of long term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long term liabilities consumes current financial resources. These amounts are the net effect of the difference in treatment of long term liabilities and related items in the statement of activities.

Issuance of new liabilities	(164,451)	
Commercial paper	296,942	
Lease liability	<u>35,443</u>	167,934

Accrued interest for debt service. This is the net change in accrued interest for the current period. (204)

Pension 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. (3,634,955)

OPEB obligation revenue (credits) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenue in governmental funds. 129,770

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. (173,973)

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. 394,719

**Change in Net Position of Governmental Activities \$ 738,319**

# City of Imperial Beach

## Statement of Net Position Proprietary Funds June 30, 2023

	Enterprise Fund	Governmental Activities
	Sewer	Internal Service Funds
<b>Assets:</b>		
Current:		
Cash and investments	\$ 6,109,723	\$ 2,685,530
Receivables:		
Accounts	552	-
Prepaid costs	-	2,700
Due from other governments	131,798	98,275
<b>Total Current Assets</b>	<b>6,242,073</b>	<b>2,786,505</b>
Noncurrent:		
Capital assets, not being depreciated	716,436	1,009,858
Capital assets, net of depreciation	8,515,266	609,223
<b>Total Noncurrent Assets</b>	<b>9,231,702</b>	<b>1,619,081</b>
<b>Total Assets</b>	<b>15,473,775</b>	<b>4,405,586</b>
<b>Deferred Outflows of Resources:</b>		
Deferred pension related items	191,144	165,315
Deferred OPEB related items	21,193	18,329
<b>Total Deferred Outflows of Resources</b>	<b>212,337</b>	<b>183,644</b>
<b>Liabilities:</b>		
Current:		
Accounts payable	96,859	63,224
Accrued liabilities	23,732	41,808
Compensated absences due in one year	54,567	28,598
Claims and judgments due in one year	-	178,000
Long-term liabilities due in one year	-	298,041
<b>Total Current Liabilities</b>	<b>175,158</b>	<b>609,671</b>
Noncurrent:		
Compensated absences due in more than one year	2,101	6,507
Claims and judgments due in more than one year	-	650,000
Long-term liabilities	-	447,816
Net pension liability	269,480	233,063
Net OPEB liability	28,919	25,010
<b>Total Noncurrent Liabilities</b>	<b>300,500</b>	<b>1,362,396</b>
<b>Total Liabilities</b>	<b>475,658</b>	<b>1,972,067</b>
<b>Deferred Inflows of Resources:</b>		
Deferred pension related items	46,229	39,982
Deferred OPEB related items	20,580	17,799
<b>Total Deferred Inflows of Resources</b>	<b>66,809</b>	<b>57,781</b>
<b>Net Position:</b>		
Investment in capital assets	9,231,702	873,224
Unrestricted	5,911,943	1,686,158
<b>Total Net Position</b>	<b>\$ 15,143,645</b>	<b>\$ 2,559,382</b>
<b>Reconciliation of Net Position to the Statement of Net Position</b>		
Net Position per Statement of Net Position - Proprietary Funds	\$ 15,143,645	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(972,433)	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds	(83,020)	
<b>Net Position per Statement of Net Position</b>	<b>\$ 14,088,192</b>	

See Notes to Financial Statements

# City of Imperial Beach

## Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds Year Ended June 30, 2023

	<b>Business-Type Activities Enterprise Fund</b>	<b>Governmental Activities Internal Service Funds</b>
	<b>Sewer</b>	
<b>Operating Revenues:</b>		
Sales and service charges	\$ 6,281,353	\$ 1,756,450
Miscellaneous	580,089	470,123
<b>Total Operating Revenues</b>	<b>6,861,442</b>	<b>2,226,573</b>
<b>Operating Expenses:</b>		
Source of supply	4,400,601	-
Services and supplies	(6,158)	1,001,037
Claims expense	-	594,259
Personnel and administrative	797,464	711,956
Depreciation expense	336,842	466,787
<b>Total Operating Expenses</b>	<b>5,528,749</b>	<b>2,774,039</b>
Operating Income	1,332,693	(547,466)
<b>Nonoperating Revenues (Expenses):</b>		
Investment income	93,795	46,631
Interest expense	-	(21,644)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>93,795</b>	<b>24,987</b>
<b>Income Before Transfers</b>	<b>1,426,488</b>	<b>(522,479)</b>
Transfers in	-	834,178
<b>Total Transfers</b>	<b>-</b>	<b>834,178</b>
Change in Net Position	1,426,488	311,699
<b>Net Position:</b>		
Beginning of Year	13,717,157	2,247,683
<b>End of Fiscal Year</b>	<b>\$ 15,143,645</b>	<b>\$ 2,559,382</b>
<b>Reconciliation of Changes in Net Position to the Statement of Activities:</b>		
Changes in Net Position, per the Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	\$ 1,426,488	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	(83,020)	
<b>Changes in Net Position of Business-Type Activities per Statement of Activities</b>	<b>\$ 1,343,468</b>	

See Notes to Financial Statements

# City of Imperial Beach

## Statement of Cash Flows Proprietary Funds Year Ended June 30, 2023

	Business-Type	
	Activities	Governmental
	Enterprise Fund	Activities
	Sewer	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers and users	\$ 6,879,283	\$ -
Cash received from/(paid to) interfund service provided	-	2,157,904
Cash paid to suppliers for goods and services	(4,534,186)	(1,484,180)
Cash paid to employees for services	(696,361)	(602,940)
<b>Net Cash Provided by Operating Activities</b>	<b>1,648,736</b>	<b>70,784</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Transfers from other funds	-	834,178
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>-</b>	<b>834,178</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Principal paid on subscription lease	(8,164)	(167,294)
Interest paid on subscription lease	-	(21,644)
Acquisition and construction of capital assets	(466,866)	(725,283)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(475,030)</b>	<b>(914,221)</b>
<b>Cash Flows from Investing Activities:</b>		
Investment income	93,795	46,631
<b>Net Cash Provided by Investing Activities</b>	<b>93,795</b>	<b>46,631</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,267,501</b>	<b>37,372</b>
Cash and Cash Equivalents, Beginning of Year	4,842,222	2,648,158
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 6,109,723</b>	<b>\$ 2,685,530</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating income (loss)	\$ 1,332,693	\$ (547,466)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Depreciation	336,842	466,787
(Increase) decrease in accounts receivable	(552)	-
(Increase) decrease in prepaid costs	-	26,611
(Increase) decrease in due from other governments	18,393	(68,669)
(Increase) decrease in deferred pension related items	(93,262)	(80,661)
(Increase) decrease in deferred OPEB related items	2,490	2,154
Increase (decrease) in accounts payable	(139,743)	(43,495)
Increase (decrease) in accrued liabilities	2,278	25,292
Increase (decrease) in compensated absences	17,647	13,520
Increase (decrease) in claims and judgments	-	128,000
Increase (decrease) in net pension liability	218,916	189,332
Increase (decrease) in net OPEB liability	(16,038)	(13,872)
Increase (decrease) in deferred inflows - pension	(41,472)	(35,868)
Increase (decrease) in deferred OPEB - pension	10,544	9,119
<b>Total Adjustments</b>	<b>316,043</b>	<b>618,250</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,648,736</b>	<b>\$ 70,784</b>
<b>Noncash Capital and Financing Activities</b>		
Subscription liabilities	\$ 8,164	\$ 403,293
Subscription acquisition	(8,164)	(403,293)

See Notes to Financial Statements

*City of Imperial Beach*

**Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2023**

	<b>Custodial Funds</b>	<b>Private- Purpose Trust Fund</b>
		<b>Successor Agency to the Former RDA</b>
<b>Assets:</b>		
Pooled cash and investments	\$ 452,487	\$ 588,741
Restricted assets:		
Cash and investments with fiscal agents	-	1,532
<b>Total Assets</b>	<b>452,487</b>	<b>590,273</b>
<b>Deferred Outflows of Resources:</b>		
Deferred charges - loss on bond refunding	-	289,338
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>289,338</b>
<b>Liabilities:</b>		
Accounts payable	-	62
Accrued liabilities	-	5,438
Accrued interest	-	82,317
Deferred charges - gain on bond refunding	-	5,815
Long-term liabilities:		
Due in one year	-	910,000
Due in more than one year	-	27,476,785
<b>Total Liabilities</b>	<b>-</b>	<b>28,480,417</b>
<b>Net Position (Deficit):</b>		
Held in trust for other purposes	452,487	(27,600,806)
<b>Total Net Position</b>	<b>\$ 452,487</b>	<b>\$ (27,600,806)</b>

See Notes to Financial Statements

*City of Imperial Beach*

**Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2023**

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	<b>Custodial Funds</b>	<b>Private- Purpose Trust Fund</b>
		<b>Successor Agency to the Former RDA</b>
<b>Additions:</b>		
Taxes	\$ -	\$ 1,634,548
Interest and change in fair value of investments	7,449	34,358
Miscellaneous	-	(12,400)
	<hr/>	<hr/>
<b>Total Additions</b>	<b>7,449</b>	<b>1,656,506</b>
	<hr/>	<hr/>
<b>Deductions:</b>		
Administrative expenses	-	193,095
Contractual services	-	5,823,417
Interest expense	-	756,436
Bond issuance cost	-	47,216
	<hr/>	<hr/>
<b>Total Deductions</b>	<b>-</b>	<b>6,820,164</b>
	<hr/>	<hr/>
<b>Changes in Net Position</b>	<b>7,449</b>	<b>(5,163,658)</b>
	<hr/>	<hr/>
Net Position (Deficit) at Beginning of Year	445,038	(22,437,148)
	<hr/>	<hr/>
<b>Net Position (Deficit) at End of Year</b>	<b>\$ 452,487</b>	<b>\$ (27,600,806)</b>
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See Notes to Financial Statements

**I. SIGNIFICANT ACCOUNTING POLICIES**

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

**a. Description of the Reporting Entity**

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

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

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

**Blended Component Units**

**Imperial Beach Public Financing Authority**

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

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

Imperial Beach Housing Authority

The Imperial Beach Housing Authority was established on January 14, 2011, by Council resolution to transact business and exercise powers in the City of Imperial Beach and to accept any appropriate funds from the former Imperial Beach Redevelopment Agency. The Authority also acts as the Housing Successor Agency. Separate financial statements are not prepared for the Authority.

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

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

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

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

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

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

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

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

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.

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

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 Miscellaneous Grants Fund is used for reporting of various types of grants awarded to the City. This includes, but is not limited, to COVID-19 relief grants.

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 are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes.
- The Capital Projects Funds account for tracking the financial resources used to acquire and/or construct a major capital asset.
- 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.
- The Private Purpose Trust Fund accounts for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.
- Custodial 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 custodial funds account for its special assessment districts.

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

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

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

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

Cash and Investments

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

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

Receivables and Payables

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

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

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

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.
- Community Development includes those activities which involve planning and economic development, as well as building and safety.
- 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 principal and interest payment of long-term liabilities.
- Capital outlay includes those activities that account for the purchase of fixed and capital assets.

Inventories and Prepaid Items

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

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

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

#### Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

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:

<b>Assets</b>	<b>Years</b>
Buildings & improvements	25 - 50
Improvements other than buildings	10 - 50
Sewer lines and pump stations	35 - 50
Equipment	3 - 20
Vehicles	5 - 10
<b>Infrastructure</b>	<b>Years</b>
Pavement	30 - 33
Curb and gutter	50

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statements of net position and governmental fund balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items which qualify for reporting in this category. They are the deferred pension and OPEB related items, which are reported in the government-wide statement of net position.

In addition to liabilities, the statements of net position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items which qualify for reporting in this category. One item, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues that are recognized as an inflow of resources in the period that the amounts become available. The other items are deferred pension and OPEB related items reported in the government-wide statement of net position.

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 800 hours and 1,400 for safety employees. 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 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.

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

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

Fund Equity

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

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

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

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

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

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

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

Net Position Flow Assumption

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

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

Fund Balance Flow Assumptions

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

Encumbrances

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

Property Tax Revenue

Property tax revenue is recognized 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 on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31.

# *City of Imperial Beach*

## **Notes to Financial Statements June 30, 2023**

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

#### New Accounting Pronouncements

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96 – *Subscription Based IT Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. Under this Statement, a lessee is required to recognize a SBITA liability and an intangible right-to-use asset. For additional information, refer to the disclosures for capital assets and long-term liabilities.

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**II. DETAILED NOTES ON ALL FUNDS**

**Note 2: Cash and Investments**

As of June 30, 2023, cash and investments were reported in the accompanying financial statements as follows:

Cash and investments:	
Governmental activities	
Cash and investments	\$ 29,835,377
Restricted cash and investments*	737,840
Business-Type activities	6,109,723
Fiduciary funds:	
Custodial funds	452,487
Private Purpose Trust	<u>588,741</u>
Total Cash and Investments	<u>37,724,168</u>
Restricted cash with fiscal agents:	
Fiduciary Funds:	
Private Purpose Trust	<u>1,532</u>
Total cash and investments with fiscal agents	<u>1,532</u>
Total cash and investments	<u>\$ 37,725,700</u>

\*Restricted cash and investments are related to the Pension Trust Fund being held with PARS to supplement the City's Pension Plan created in 2023.

Cash and investments as of June 30, 2023 consists of the following:

Deposits with financial institutions	\$ 870,779
Cash on hand	1,000
Investments	<u>36,853,921</u>
Total cash and investments	<u>\$ 37,725,700</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 the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on monthly cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

# *City of Imperial Beach*

## **Notes to Financial Statements June 30, 2023**

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

#### Deposits

At June 30, 2023, the carrying amount of the City's deposits was \$870,779 and the bank balance was \$1,059,350. The \$188,571 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.

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

Investments

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

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

Investments Authorized by Debt Agreements

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

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

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares. Currently, LAIF does not have an investment rating. LAIF has a minimum \$5,000 transaction amount in increments of \$1,000 with a maximum of 15 transactions (combination of deposits and withdrawals) per month. LAIF requires a one-day prior notice for deposits and withdrawals of \$10 million or more.

GASB Statement No. 31

The City adopted GASB Statement 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.

Disclosures Relating to Credit Risk

The City's investment policy limits investments in medium-term notes (MTN's) to those rated "A" or higher by Standard and Poor's (S&P) or by Moody's. As of June 30, 2023, the City's investment in Medium-Term Corporate Notes were all rated A or better by Moody's and S&P. In addition, the City's investments in Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation were rated "AA+" 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.

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

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

As of June 30, 2023, the City's investments in external investment pools, money market mutual funds and investment agreements are unrated.

Disclosures Relating to Custodial Credit Risk

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 its 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 (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City does not accept 150% of the secured public totals. At June 30, 2023, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation up to \$250,000 and the remaining balances were collateralized under California Law.

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

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

#### Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer to 20% of the total investment pool. With respect to concentration risk, as of June 30, 2023, the City has not invested more than 20% 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, 2023, the City does not have investments in any single issuer that exceed 5% of the total investment value.

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

#### Interest Rate Risk

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

As of June 30, 2023, the City had the following investments and original maturities:

Investments	Investment Maturities (in Years)			Total
	1 year or less	1 to 3 years	3 to 5 years	
State Pooled Investment (LAIF)	\$ 13,945,864	\$ -	\$ -	\$ 13,945,864
Federal Farm Credit Bank	993,093	84,717	-	1,077,810
Federal Home Loan Bank	97,625	1,253,223	-	1,350,848
Federal Home Loan Mortgage Corporation	1,213,818	-	-	1,213,818
Federal National Mortgage Association	399,638	227,487	-	627,125
U.S. Treasury Notes	6,143,577	3,055,021	1,264,957	10,463,555
Medium Term Corporate Notes	1,107,650	3,084,213	827,189	5,019,052
Supranational	239,887	278,841	-	518,728
Money Market	174,460	-	-	174,460
Collateralized Mortgage Obligations (CMO)	-	807,000	917,821	1,724,821
Pension Section 115 Trust	737,840	-	-	737,840
<b>Total Investments</b>	<b>\$ 25,053,452</b>	<b>\$ 8,790,502</b>	<b>\$ 3,009,967</b>	<b>\$ 36,853,921</b>

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

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

#### Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2023:

Cash & Investments	Total	Fair Value Measurement Level		
		1	2	3
Federal Farm Credit Bank	\$ 1,077,810	\$ -	\$ 1,077,810	\$ -
Federal Home Loan Bank	1,350,848	-	1,350,848	-
Federal Home Loan Mortgage Corporation	1,213,818	-	1,213,818	-
Federal National Mortgage Association	627,125	-	627,125	-
U.S. Treasury Notes	10,463,555	-	10,463,555	-
Medium Term Corporate Notes	5,019,052	-	5,019,052	-
Supranational	518,728	-	518,728	-
Collateralized Mortgage Obligations (CMO)	1,724,821	-	1,724,821	-
<b>Total</b>	<b>21,995,757</b>	<b>\$ -</b>	<b>\$21,995,757</b>	<b>\$ -</b>
<b>Investments not subject to fair value</b>				
State Pooled Investment (LAIF)	13,945,864			
Money Market	174,460			
Pension Section 115 Trust	737,840			
<b>Total Investments</b>	<b>\$ 36,853,921</b>			

Local Agency Investment Funds classified in Level 2 of the fair value hierarchy are valued using specified fair market value factors. Federal Agency Securities and U.S. Treasury Notes classified in Level 2 of the fair value hierarchy are valued using institutional bond quotes. Medium Term Corporate Notes classified in Level 2 of the fair value hierarchy are valued using institutional secondary market. Medium Term Corporate Notes can be defined as extended maturity commercial paper.

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

### Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,688,532	\$ -	\$ -	\$ 2,688,532
Infrastructure right-of-way	12,406,327	-	-	12,406,327
Construction-in-progress	825,364	3,124,938	(754,479)	3,195,823
<b>Total Capital Assets, Not Being Depreciated</b>	<b>15,920,223</b>	<b>3,124,938</b>	<b>(754,479)</b>	<b>18,290,682</b>
Capital assets, being depreciated:				
Structures and improvements	12,624,613	222,948	(409,363)	12,438,198
Equipment and vehicles	5,910,685	791,700	(46,200)	6,656,185
Infrastructure	50,175,094	263,422	-	50,438,516
Right-to-use equipment lease	146,143	1,222	-	147,365
Right-to-use subscriptions	-	490,612	-	490,612
<b>Total Capital Assets, Being Depreciated</b>	<b>68,856,535</b>	<b>1,769,904</b>	<b>(455,563)</b>	<b>70,170,876</b>
Less accumulated depreciation:				
Structures and improvements	(8,131,610)	(643,709)	409,363	(8,365,956)
Equipment and vehicles	(4,870,579)	(353,039)	46,200	(5,177,418)
Infrastructure	(14,977,716)	(1,528,074)	-	(16,505,790)
Right-to-use equipment lease	(31,316)	(31,650)	-	(62,966)
Right-to-use subscriptions	-	(304,043)	-	(304,043)
<b>Total Accumulated Depreciation</b>	<b>(28,011,221)</b>	<b>(2,860,515)</b>	<b>455,563</b>	<b>(30,416,173)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>40,845,314</b>	<b>(1,090,611)</b>	<b>-</b>	<b>39,754,703</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 56,765,537</b>	<b>\$ 2,034,327</b>	<b>\$ (754,479)</b>	<b>\$ 58,045,385</b>

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

<b>Governmental Activities:</b>	
General Government	\$ 404,666
Public Safety	97,340
Public Works	1,578,991
Parks, Recreation and Senior Center	312,731
Internal Service Funds	466,787
<b>Total Governmental Activities</b>	<b>\$ 2,860,515</b>

*City of Imperial Beach*

**Notes to Financial Statements  
June 30, 2023**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Construction-in-progress	\$ 426,861	\$ 289,575	\$ -	\$ 716,436
Total Capital Assets, Not Being Depreciated	426,861	289,575	-	716,436
Capital assets, being depreciated:				
Sewer lines and pump stations	14,609,328	177,291	(53,100)	14,733,519
Right-to-use subscriptions	-	8,164	-	8,164
Total Capital Assets, Being Depreciated	14,609,328	185,455	(53,100)	14,741,683
Less accumulated depreciation:				
Sewer lines and pump stations	(5,942,675)	(332,760)	53,100	(6,222,335)
Right-to-use subscriptions	-	(4,082)	-	(4,082)
Total Accumulated Depreciation	(5,942,675)	(336,842)	53,100	(6,226,417)
Total Capital Assets, Being Depreciated, Net	8,666,653	(151,387)	-	8,515,266
Business-Type Activities Capital Assets, Net	<u>\$ 9,093,514</u>	<u>\$ 138,188</u>	<u>\$ -</u>	<u>\$ 9,231,702</u>

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

Business-Type Activities:	
Sewer	<u>\$ 336,842</u>

**Note 4: Loans Receivable**

Loans receivable offset by allowances consist of the following:

South Bay Community Services Loan – Hemlock Ave.

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

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

Beginning May 31, 2006, and continuing through 2061, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are not required to be paid if the rental and occupancy conditions are met for the property. All principal and accrued interest on the Loan shall be due in full on (i) the date of any transfer not authorized by the Agency; (ii) the date of any Default; or (iii) the expiration of the Loan Term, whichever occurs first. However, upon expiration of the Loan Term, the Loan amount pursuant to the Note and accrued interest shall be forgiven provided all covenants and conditions were met over the Loan Term. Accrued interest at June 30, 2023, amounts to \$310,241 and is offset by allowance. The outstanding balance at June 30, 2023, is \$939,849, including accrued interest.

**South Bay Community Services Loan - Calla Ave.**

In April 2006, the Agency entered into a loan agreement for an amount not-to-exceed \$491,271 with South Bay Community Services (SBCS) to loan low- and moderate-income housing set-aside funds to rehabilitate an eight-unit apartment complex located at 1260 Calla Avenue. SBCC intends to rent all seven units to families earning 50% or below of the area median income, for a term of fifty-five years. Beginning May 31, 2006, and continuing through 2061, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are not required to be paid if the rental and occupancy conditions are met for the property. All principal and accrued interest on the Loan shall be due in full on (i) the date of any transfer not authorized by the Agency; (ii) the date of any Default; or (iii) the expiration of the Loan Term, whichever occurs first. However, upon expiration of the Loan Term, the Loan amount pursuant to the Note and accrued interest shall be forgiven provided all covenants and conditions were met over the Loan Term. Accrued interest at June 30, 2023, amounts to \$246,618 and is offset by allowance. The loan has not been fully disbursed at June 30, 2023. The outstanding balance at June 30, 2023, is \$733,073, including accrued interest.

**Tax Increment Loan – 12th Street**

In August 2008, the Agency entered into a loan agreement for an amount not-to-exceed \$1,945,000 with Beachwind Court, LP to loan low- and moderate-income housing set-aside funds to rehabilitate a fifteen-unit apartment complex located at 624 12th Street. As a condition of the loan, Beachwind Court, LP is to rent seven units to families earning 50% or below of the area median income and eight units to families earning 60% or below of the area median income, for a period 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, 2023, amounts to \$807,312 and is offset by allowance. The outstanding balance at June 30, 2023, is \$2,752,312, including accrued interest.

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

American Legion Loan

The Imperial Beach Housing Authority and Hitzke Development Corporation entered into an Affordable Housing Agreement for the development of a mixed-use affordable housing development project and new American Legion Post. The Authority authorized financing for the Project for an amount not to exceed \$4,100,000 to construct thirty (30) units of affordable housing consisting of twenty-nine (29) affordable residential rental units and one manager's unit. Monthly principal and interest payments are required to be paid within 30 days of completion of the annual audit equivalent to 50% of the residual receipts generated by the projects audited records. Accrued interest at June 30, 2023, amounts to \$1,204,816 and is offset by allowance. The outstanding balance at June 30, 2023, is \$5,304,816, including accrued interest.

Homeowner Loans

The Imperial Beach Housing Authority and the individual homeowners entered into Notes secured by a deed of trust agreement, whereas the Housing Authority sold the six units of property to homeowners, as it was understood the Authority may transfer these notes. There will be no interest except in the event of a default. The following shall each be deemed "Defaults" under these Notes: (i) an uncured Owner default under the terms of the Note, the Deed of Trust securing the Note and/or the Affordable Housing Resale Restrictions, Option to Designate Eligible Purchasers and Option to Purchase Upon Default ("Resale Restriction") affecting the Property's; (ii) a Transfer (as defined in the Resale Restriction) that is not approved by the Authority in writing; or (iii) any Owner default under the terms of the First Lien (as defined in the Resale Restriction). In the event of a Default, the principal shall become due and immediately payable together with interest, which shall be deemed to have accrued from the date of these Notes at the greater of the following amounts: a) The rate equal to the interest rate on the First Lien; or b) ten percent (10%) per annum. Accrued interest at June 30, 2023, amounts to \$125,025 and is offset by allowance. The outstanding balance at June 30, 2023, is \$958,525, including accrued interest.

Total loans receivable at June 30, 2023, amounts to \$10,688,575, however, as the result of these loans being forgivable, the City has recorded an offsetting allowance for all loans for a net loans receivable balance of \$0.

*City of Imperial Beach*

**Notes to Financial Statements  
June 30, 2023**

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

The composition of interfund balances as of June 30, 2023 is as follows:

**Due To/Due from Other Funds**

Funds	Due to other funds Non-Major Governmental Funds	Total
Due from Other Funds:		
General Fund	\$ 122,764	\$ 122,764
 Total	 \$ 122,764	 \$ 122,764

The General Fund is owed \$122,764 from non-major governmental funds for temporary negative cash and investments.

**Interfund Transfers**

Transfers Out	Transfer In			Total
	General Fund	Non-major Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 800,000	\$ 809,011	\$ 1,609,011
Miscellaneous Grants	18,803	-	25,167	43,970
Non-Major Governmental Funds	931,449	-	-	931,449
 Total	 \$ 950,252	 \$ 800,000	 \$ 834,178	 \$ 2,584,430

Transfers into the General Fund totaling \$931,449 were made from the Gas Tax Fund and Prop A Tax Fund to support street maintenance and transportation costs.

Transfer of \$18,803 and \$25,167 from the Miscellaneous Grants Fund was made to General Fund and Internal Service Funds, respectively. This was to reimburse the City for certain costs and services impacted by COVID-19 out of ARPA funds.

Transfer out of General Fund to Parks Maintenance CIP Fund in the total of \$800,000 consisted of funding for various capital improvements projects.

Transfer of \$809,011 out of General Fund was made to Internal Service Funds for support services.

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

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the City recognized deferred outflows of resources in the Statement of Net Position. These items are a consumption of net assets by the City that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The City has two items that are reportable in the Statement of Net Position. One relates to outflows from changes in the net pension liability (Note 10). Governmental activities and Business-Type Activities recorded deferred outflows of resources related to pension of \$8,418,962 and \$191,144, respectively. The other relates to the outflows from changes in net OPEB liability (Note 11). Governmental activities and Business-Type Activities recorded deferred outflows of resources related to OPEB of \$933,448 and \$21,193, respectively.

In addition, the City recognized deferred inflows of resources in the statement of Net Position and governmental fund balance sheet. These items are an acquisition of net assets by the City that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The City has three items that are reportable on the Statement of Net Position. One relates to inflows from changes in the net pension liability (Note 10). Governmental activities and Business-Type Activities recorded deferred inflows of resources related to pension of \$2,036,138 and \$46,229, respectively. The other relates to the inflows from changes in net OPEB liability (Note 11). Governmental activities and Business-Type Activities recorded deferred inflows of resources related to OPEB of \$906,438 and \$20,580, respectively.

**Note 7: Unearned Revenue**

General Fund unearned revenue consists of \$406,281 relating to prepayment of improvements by developers and \$39,274 of miscellaneous items such as unearned donations grant/ grants and prepaid rent. In addition, the City entered into a development agreement with March and Ash Imperial Beach, Inc., dba March and Ash in December 2021. March and Ash paid the City \$1,500,000 at the beginning of the agreement for the development and expansion of community programs and infrastructure. As of June 30, 2023 \$589,386 remains of this unearned revenue.

Miscellaneous Grants Fund unearned revenue consists of \$4,544,661 as of June 30, 2023 relating to the American Rescue Plan Act of 2021 (ARPA) and other miscellaneous grants.

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

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### Note 8: Compensated Absences

#### a. Compensated Absences - Governmental Activities

The City's policies relating to compensated absences are described in Note 1 of the Notes to Financial Statements. The following is a summary of changes in compensated absences of the City for the year ended June 30, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 1,072,291	\$ 782,606	\$ 713,262	\$ 1,141,635	\$ 760,040

#### b. Compensated Absences - Business-Type Activities

The following is a summary of changes in Proprietary Fund compensated absences for the year ended June 30, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 39,021	\$ 55,221	\$ 37,574	\$ 56,668	\$ 54,567

### Note 9: Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the City for the year ended June 30, 2023:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Long-term liabilities:</b>					
Direct borrowings					
Transnet Commercial Paper	\$ 798,362	\$ 148,000	\$ (296,942)	\$ 649,420	\$ 423,182
Financed equipment	-	509,858	-	509,858	95,439
Equipment lease liability	116,376	-	(29,884)	86,492	32,073
Subscription lease liability	-	419,744	(171,316)	248,428	185,203
Total long-term liabilities	\$ 914,738	\$ 1,077,602	\$ (498,142)	\$ 1,494,198	\$ 735,897

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

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### Note 9: Long-Term Liabilities (Continued)

#### Transnet Commercial Paper

On October 4, 2019, the City entered into a loan agreement with the San Diego County Regional Transportation Commission for a \$1.3 million loan for the purposes of financing Imperial Boulevard enhancement project. The proceeds were funded when the City requested reimbursement for valid expenditures related to the project. The City entered into a loan agreement with the San Diego County Regional Transportation Commission for another \$600,000 in May 2020 and \$148,000 in April 2023 for State Route 75 Signal Interconnection Project. The repayment of the debt is the first priority on the use of the City's annual Transnet revenues, which are received from SANDAG. As of June 30, 2023, the City has drawn a total on \$1,603,000 on these loan agreements with \$297,000 still available to draw for SR 75 Signal project. The principal remaining on the loan is \$649,420 payable through 2026.

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

Year Ending June 30,	Direct borrowing Principal
2024	\$ 423,182
2025	200,989
2026	25,249
<b>Totals</b>	<b>\$ 649,420</b>

#### Financed Equipment

On December 9, 2022, the City entered into a purchase option lease agreement with PNC Bank in order to acquire a pierce-arrow XT multipurpose response vehicle from South Coast Fire Equipment, Inc. The annual payments on the long-term financed equipment as of June 30, 2023 were as follows:

Year Ending June 30,	Direct borrowing	
	Principal	Interest
2024	\$ 95,439	\$ 21,270
2025	96,236	20,472
2026	100,990	15,718
2027	105,979	10,729
2028	111,214	5,494
<b>Totals</b>	<b>\$ 509,858</b>	<b>\$ 73,683</b>

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

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### Note 9: Long-Term Liabilities (Continued)

#### Lease Liability

On July 1, 2021, the City entered into a 60-month lease as Lessee for the use of Printers - Advanced Imaging Care (AIS). An initial lease liability was recorded in the amount of \$146,143. As of June 30, 2023, the value of the lease liability is \$86,492. The City is required to make monthly fixed payments of \$2,753. The lease has an interest rate of 1.340%. The value of the right to use asset as of June 30, 2023 of \$147,365 with accumulated amortization of \$62,966 is included with right-to-use equipment lease in capital asset note.

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

Year Ending June 30,	Lease liability	
	Principal	Interest
2024	\$ 32,073	\$ 948
2025	32,505	522
2026	21,914	109
<b>Totals</b>	<b>\$ 86,492</b>	<b>\$ 1,579</b>

#### Subscription Liability

The City entered into various subscription agreements ranging from 14 through 84 months from various vendors. An Initial subscription liability was recorded in the amount of \$419,744. As of June 30, 2023, the value of the subscription liability is \$248,428. The City is required to make fixed payments ranging from \$1,228 to \$41,174. The subscription liabilities have an interest rate ranging from 1.7% - 2.72%. The value of the subscription right-to-use asset as of June 30, 2023 is \$498,776 with accumulated amortization of \$308,125 is included with the right-to-use subscription in the capital asset note.

Year Ending June 30,	Subscription liability	
	Principal	Interest
2024	\$ 185,203	\$ 4,683
2025	58,626	1,600
2026	1,103	125
2027	1,133	95
2028	1,164	64
2029	1,199	33
<b>Totals</b>	<b>\$ 248,428</b>	<b>\$ 6,600</b>

**III. OTHER INFORMATION**

**Note 10: Pensions**

**General Information about the Pension Plan**

***Plan Description***

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City participates in 8 rate plans (three miscellaneous and five safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

***Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.



**Note 10: Pensions (Continued)**

***Contributions***

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2023 were \$1,697,620. The actual employer payments of \$1,498,066 made to CalPERS by the City during the measurement period ended June 30, 2022 differed from the City's proportionate share of the employer's contributions of \$3,039,196 by \$1,541,130, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

**Net Pension Liability**

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

**Note 10: Pensions (Continued)**

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

<sup>(1)</sup> The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

***Long-term Expected Rate of Return***

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

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### Note 10: Pensions (Continued)

The expected real rates of return by asset class are as follows:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return<sup>1 2</sup></u>
Global Equity - cap weighted	30.0%	4.54%
Global Equity - non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporation	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.21%
Real assets	15.0%	3.21%
Leverage	(5.00%)	(0.59%)

<sup>1</sup> An expected inflation of 2.3% used for this period

<sup>2</sup> Figures are based on the 2021 Assets Liability Management Study.

### **Change of Assumptions**

Effective with the June 30, 2021, valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

**Note 10: Pensions (Continued)**

***Discount Rate***

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Subsequent Events***

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

**Note 10: Pensions (Continued)**

***Pension Plan Fiduciary Net Position***

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

**Proportionate Share of Net Pension Liability**

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
Balance at: 6/30/2021 (VD)	\$ 61,282,085	\$ 59,004,413	\$ 2,277,672
Balance at: 6/30/2022 (MD)	64,882,223	52,743,474	12,138,749
Net Changes during 2021-22	<u>\$ 3,600,138</u>	<u>\$ (6,260,939)</u>	<u>\$ 9,861,077</u>

Valuation Date (VD), Measurement Date (MD).

The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The City's proportionate share of the net pension liability for the total Plan as of June 30, 2022 and 2023 was as follows:

Proportionate Share - June 30, 2022	0.04211%
Proportionate Share - June 30, 2023	0.10509%
Change - Increase (Decrease)	<u>0.06298%</u>

**Note 10: Pensions (Continued)**

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

The following presents the City's proportionate share of the net pension liability of the total Plan as of the measurement date, calculated using the discount rate of 6.9 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.9 percent) or 1 percentage-point higher (7.9 percent) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Net Pension Liability / (Asset)	\$ 21,028,824	\$ 12,138,749	\$ (4,843,738)

***Amortization of Deferred Outflows and Deferred Inflows of Resources***

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected 5-year straight-line amortization  
and actual earnings on pension  
plan investments

All other amounts                      Straight-line amortization over the expected  
average remaining service lives (EARSL) of all  
members that are provided with benefits (active,  
inactive and retired) as of the beginning of the  
measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

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### Note 10: Pensions (Continued)

The EARSLS for PERF C for the measurement period ending June 30, 2022 is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

#### ***Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions***

As of the start of the measurement period (July 1, 2021), the City's net pension liability was \$2,277,672. For the measurement period ending June 30, 2022 (the measurement date), the City incurred a pension expense of \$5,489,559.

As of June 30, 2023, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 1,235,505	\$ -
Difference between expected and actual experience	352,371	(150,059)
Difference between projected and actual investment earnings	2,094,734	-
Differences between employer's Contributions and Proportionate share of contributions	-	(1,932,308)
Change in employer's proportion Pension contributions subsequent to measurement date	3,229,876	-
	1,697,620	-
Total	<u>\$ 8,610,106</u>	<u>\$ (2,082,367)</u>

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

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### Note 10: Pensions (Continued)

The amounts above are net of outflows and inflows recognized in the 2021-22 measurement period expense. Contributions subsequent to the measurement date of \$1,697,620 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2024	\$ 1,407,951
2025	1,335,948
2026	806,315
2027	1,279,905
2028	-
Thereafter	-

#### Payable to the Pension Plan

At June 30, 2023, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year then ended.

#### Allocation of the Proportional Share of the Net Pension Liability

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

	<u>Percentage Allocation</u>
Governmental Activities	97.78%
Business-Type Activities	2.22%

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

	<u>Percentage Allocation</u>
General Government	18.18%
Public Safety	65.46%
Public Works	9.63%
Parks, Recreation and Senior Center	6.73%

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

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### Note 11: 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 \$149 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. This plan is not administered through a qualifying trust.

#### Employees Covered

As of the June 30, 2023 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees benefit payments	82
Inactive employees entitled to but not yet receiving benefit payments	-
Participating active employees	<u>16</u>
Total	<u><u>98</u></u>

#### 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. For the fiscal year ended June 30, 2023, the City's contributions were \$300,000 in payments to the PARS trust, a contribution of \$29,520 was made for the purpose of the contribution was to pay current year premiums for retirees, and the estimated implied subsidy of \$36,183 resulting in a total of \$365,703. In fiscal year 2023, the City established an irrevocable trust with the Public Agency Retirement Services (PARS).

**Note 11: Other Post-Employment Benefits (Continued)**

**Net OPEB Liability**

The City's net OPEB liability was measured as of June 30, 2023 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2022 based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	5.95%
Inflation	2.50%
Salary Increases	2.75%
Investment Rate of Return	5.95%
Mortality Rate	2017 CalPERS Mortality Rates
Pre-Retirement Turnover	2017 CalPERS Rates
Healthcare Trend Rate	4.00%

**Discount Rate**

The discount rate was 5.95% per year net of expenses. This is based on the Bond Buyer 20 Bond Index. The discount rate changed from 3.54% to 5.95%. This is due to the current valuation report incorporating the OPEB trust fund and the expected rate of return on investments in the fund as the new valuation rate. The expected rate of return for the PARS Balanced portfolio is 5.95%, which is significantly higher than the 3.54% municipal bond index that was used in the prior year valuation.”

**Change of Assumptions**

No changes in assumptions for the measurement date as of June 30, 2023.

*City of Imperial Beach*

**Notes to Financial Statements  
June 30, 2023**

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**Note 11: Other Post-Employment Benefits (Continued)**

**Changes in the Net OPEB Liability**

The changes in the net OPEB liability for the Plan are as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2022 (Valuation Date: June 30, 2022)	<u>\$ 2,025,106</u>	<u>\$ -</u>	<u>\$ 2,025,106</u>
Changes recognized for the measurement period:			
Service cost	132,985	-	132,985
Interest	72,880	16,932	55,948
Employer Contributions	-	365,703	(365,703)
Changes of assumptions	(546,410)	-	(546,410)
Benefit payments	(65,703)	(65,703)	-
Administrative Expenses	-	(715)	715
Net changes	<u>(406,248)</u>	<u>316,217</u>	<u>(722,465)</u>
Balance at June 30, 2023	<u><u>\$ 1,618,858</u></u>	<u><u>\$ 316,217</u></u>	<u><u>\$ 1,302,641</u></u>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2023:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 1,513,437	\$ 1,302,641	\$ 1,158,802

*City of Imperial Beach*

**Notes to Financial Statements  
June 30, 2023**

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**Note 11: Other Post-Employment Benefits (Continued)**

**Sensitivity of the total OPEB Liability to Changes in the Health Care Cost Trend Rates**

The following presents the total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2023:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 894,640	\$ 1,302,641	\$ 1,550,325

**OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

As of the start of the measurement period (July 1, 2022), the City's net OPEB liability was \$2,025,106. For the fiscal year ended June 30, 2023, the City recognized OPEB expense of \$230,330. As of fiscal year ended June 30, 2023, the City reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes between expected and actual experience	\$ 116,021	\$ 75,952
Changes of assumptions	838,620	837,521
Differences between projected and actual return on assets	-	13,545
Total	<u>\$ 954,641</u>	<u>\$ 927,018</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

<u>Year Ended June 30</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2024	\$ 23,750
2025	23,750
2026	23,750
2027	23,753
2028	27,137
Thereafter	(94,517)

**Note 12: Self-Insurance Program**

General Liability

Since July 1, 2015, the City of Imperial Beach has been a member of Public Risk Innovation and Management (PRISM), an insurance risk sharing pool. The City's self-insurance retention is \$100,000 per occurrence.

In addition to its coverage through PRISM, effective July 1, 1993, the San Diego Unified Port District agreed to fund an Escrow Reserve Account in the amount of \$300,000 for the purpose of reimbursing the City for any claim costs not covered by the insurance risk sharing pool, provided the claim is 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 Public Risk Innovation and Management (PRISM). 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 PRISM. Claims between \$5,000,000 and \$50,000,000 are covered by excess purchased insurance.

The City established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risk of loss when it became a member of SANDPIPA, PEPPI and PRISM 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 \$828,000 reported at June 30, 2023, is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The above amount includes an estimate for incurred but not reported claims.

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

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### Note 12: Self-Insurance Program (Continued)

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

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

	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>
Claims outstanding at beginning of year	\$ 963,000	\$ 792,000	\$ 700,000
Claims and changes in estimates	41,602	(40,582)	141,247
Claim payments	<u>(212,602)</u>	<u>(51,418)</u>	<u>(13,247)</u>
Claims outstanding at end of year	<u>\$ 792,000</u>	<u>\$ 700,000</u>	<u>\$ 828,000</u>

### Note 13: Commitments and Contingencies

THE AFFORDABLE HOUSING COALITION OF SAN DIEGO V. TRACY SASNOVAL, ET AL-. the San Diego County Affordable Housing Coalition of San Diego County (“Petitioner”) filed a petition for a writ of mandate seeking to have unmet affordable housing development obligations, including the projects and /or funds need to meet them, as well as repayment of all deferrals and loans owed to the Low and Moderate Income Housing Fund (“Housing Fund”), to be recognized as “enforceable obligations” under the Dissolution Laws and placed on the Successor Agency’s Recognized Obligation Payment Schedule (“ROPS”) for future payment with the Redevelopment Property Tax Trust Funds (“RPTTF”) (See Health and Safety Code §§34172(c) and (d); 34182(c)(2); 34183). The City is named in the action as a real party in interest. The Successor Agency is named as a respondent and defendant. On September 27, 2016, Judge Michael Kenny ruled that the Affordable Housing obligations are not enforceable obligations and denied the Petition for Writ of Mandate. The ruling was appealed by Petitioner. After oral argument, on July 20, 2020, the Third Appellate District ruled that repayment of all deferrals and loans owed to the Housing Fund were “enforceable obligations” under the Dissolution Laws but denied the remaining claims of Petitioner. On remand to the Trial Court, Judge Shelleyanne W.L. Chang ordered that all respondents file “returns” identifying the status of repayment of deferrals and loans owed to the Housing Fund. The City and the Successor Agency reported that it had no such deferrals or loans. Petitioner never formally challenged the “returns” with a Motion nor did the Petitioner claim that the “return” of Imperial Beach was incorrect. It appears that the case on the claims is over, although there is no statutory provision which limits the time for a challenge to the “returns” by Petitioner.

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

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### Note 13: Commitments and Contingencies (Continued)

While it is not anticipated that such a challenge by Petitioner will be filed on Imperial Beach's "return", there is no certainty that such a challenge will not occur. Petitioner, however, did file a Motion for Attorneys' Fees, but did not name the City or the Successor Agency as party against whom a demand for attorneys' fees was made. If Petitioner does not dismiss the City and Successor Agency from the action in the near future, a Motion to the Court of Appeal will be filed requesting a Dismissal Order. As there were no claims for attorneys' fees against the City or the Successor Agency, the attorneys' fees claim appears to be concluded as to the City and Successor Agency in this matter.

### Note 14: Successor Agency Trust for Assets of the Former Redevelopment Agency

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

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

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

#### a. Cash and Investments

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

Cash and investments pooled with the City	\$ 588,741
Cash and investments with fiscal agent	1,532
	<u>\$ 590,273</u>

*City of Imperial Beach*

**Notes to Financial Statements  
June 30, 2023**

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**Note 14: Successor Agency Trust for Assets of the Former Redevelopment Agency  
(Continued)**

**b. Long-Term Debt**

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2023, follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Public Offerings:					
2020 Tax Allocation Bonds	\$ 13,780,000	\$ -	\$ -	\$ 13,780,000	\$ -
2020 Tax Allocation Bonds Premium	2,474,889	-	(140,009)	2,334,880	-
2022 Tax Allocation Bonds	11,800,000	-	(885,000)	10,915,000	910,000
2022 Tax Allocation Bonds Premium	1,497,128	-	(140,223)	1,356,905	-
Total Public Offerings	<u>\$ 29,552,017</u>	<u>\$ -</u>	<u>\$ (1,165,232)</u>	<u>\$ 28,386,785</u>	<u>\$ 910,000</u>

**Tax Allocation Bonds, 2020**

In March 2020, the Imperial Beach Public Financing Authority issued \$14,490,000 Tax Allocation Bonds, 2020. The proceeds of the bonds were to defease the 2010 Tax Allocation Bonds. Interest on the bonds is payable semiannually and principal payments are due annually. Debt service payments occur on June 1, 2021, and then from June 1, 2034, through June 1, 2040. Interest rates on the bonds is 4% per annum. The balance at June 30, 2023, excluding unamortized original issue premium of \$2,334,880 is \$13,780,000.

The outstanding 2020 bonds contain a provision that upon the occurrence and during the continuance of any event of default the timing of the principal of the bonds, together with the accrued interest thereon, become due and payable immediately.

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

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### Note 14: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

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

Year Ending June 30,	2020 Tax Allocation Refunding Bonds	
	Principal	Interest
2024	\$ -	\$ 551,200
2025	-	551,200
2026	-	551,200
2027	-	551,200
2028	-	551,200
2029-2033	-	2,756,000
2034-2038	9,105,000	2,180,000
2039-2040	4,675,000	282,400
<b>Totals</b>	<b>\$ 13,780,000</b>	<b>\$ 7,974,400</b>

#### Tax Allocation Bonds, 2022

In March 2022, the Imperial Beach Public Financing Authority issued \$11,800,000 Tax Allocation Bonds, 2022. The proceeds of the bonds were to defease the 2013 Tax Allocation Bonds. Interest on the bonds is payable semiannually and principal payments are due annually. Debt service payments occur from June 1, 2022, through June 1, 2033. Interest rates on the bonds is 4% per annum. The balance at June 30, 2023, excluding unamortized original issue premium of \$1,356,905 is \$10,915,000.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,610. This difference is being amortized on a straight-line basis as interest expense (interest on debt). The City refunded the Series 2013 Tax Allocation Bonds to reduce its total debt service payments by \$2,144,313 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt, less any prior funds on hand) of \$1,783,298.

The outstanding 2022 bonds contain a provision that the principal due on the Bonds is subject to acceleration upon the occurrence of an event of default. As a practical matter in the event of a payment default by the Successor Agency, it is unlikely the Successor Agency would have the financial resources to meet accelerated obligations. No real or personal property in the project area is pledged to secure the bonds, and it is not anticipated that the Successor Agency will have available moneys sufficient to redeem all of the Bonds in the event of a default.

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

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### Note 14: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

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

Year Ending June 30,	2022 Tax Allocation Refunding Bonds	
	Principal	Interest
2024	\$ 910,000	\$ 436,600
2025	955,000	400,200
2026	985,000	362,000
2027	1,015,000	322,600
2028	1,065,000	282,000
2029-2033	5,985,000	736,600
<b>Totals</b>	<b>\$ 10,915,000</b>	<b>\$ 2,540,000</b>

#### Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low- and Moderate-Income Housing set-aside and pass-through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low- and Moderate-Income Housing projects and to defease previously issued bonds. Assembly Bill 1 X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$35,209,400 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$1,634,548 and the debt service obligation on the bonds was \$885,000.

#### c. Insurance

The Successor Agency is covered under the City of Imperial Beach's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 12.

# City of Imperial Beach

## Notes to Financial Statements June 30, 2023

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### Note 15: Restricted Components of Net Position

The restricted component of net position are assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. In fiscal year 2023, the City did not have any components of net position restricted by enabling legislation.

The restricted component of net position at June 30, 2023, for governmental activities is as follows:

Restricted for Community Development Projects:	
Housing Authority	\$ 837,098
Total	
Restricted for Public Works:	
Gas Tax	\$ 4,222
Prop A Tax	141,494
RMRA	1,225,470
Capital Projects	<u>545,898</u>
Total	1,917,084
Restricted for Public Safety:	
Supplemental Law Enforcement	1,000
Restricted for Parks, Recreation and Senior Center:	
Miscellaneous Grants	167,936
Parks Maintenance	<u>1,096,866</u>
Total	1,264,802
Restricted for Pension section 115 trust:	
General	<u>737,840</u>
Total Restricted Component of Net Position - Government Activities	
	<u><u>\$ 4,757,824</u></u>

**Note 16: Tax Abatement**

The City entered into an agreement Sudberry-Palm Avenue LLC on June 6, 2018. The Developer is the owner of certain real property totaling approximately 1.4 acres and located in the City of Imperial Beach on which the Developer operates and maintains a hotel known as "Hampton Inn by Hilton". In order to induce the Developer to construct and operate the hotel on the property for the Operating Period, and upon the fulfillment of the City Disbursement Conditions, the City agreed provide to the Developer TOT Incentive Payments upon the terms set and as follows:

The City shall pay TOT Incentive Payments to Developer pursuant to and in accordance with the terms of the Agreement in an amount equal to fifty percent (50%) of the Net Transient Occupancy Tax Revenues collected and remitted to the City from the Hotel during the first ten (10) years of operation of the Hotel commencing upon the City's receipt of the Opening Certification from Developer ("Payment Period") provided, however, that the aggregate total of TOT Incentive Payments shall not exceed a total amount of Two Million Five Hundred Thousand Dollars (\$2,500,000), subject to the limitations set forth in the definitions of Net Transient Occupancy Tax Collected and TOT Incentive Payments.

Upon commencement of the Payment Period, TOT Incentive Payments shall be made by the City to Developer every six (6) months thereafter no later than sixty (60) Days after the applicable six (6) month period. The amount of the TOT Incentive Payments due on each such payment date shall be calculated and based upon the Net Transient Occupancy Tax Revenues Collected and remitted to the City from the Hotel in the immediate prior six (6) month period, subject to the limitations set forth in the definitions of Net Transient Occupancy Tax Collected and TOT Incentive Payments.

The City's making of TOT Incentive Payments pursuant to the Agreement shall not be deemed to constitute a pledge of any particular funds by the City, but instead an obligation contingent upon the construction and operation of the Hotel and the City's receipt of Transient Occupancy Tax from the Hotel in accordance with the terms of the Agreement.

As of June 30, 2023, the City abated TOT taxes totaling \$279,004 under this agreement.

**Note 17: Subsequent Event**

On October 24, 2023, the City reached a settlement agreement in an ongoing litigation case. A settlement agreement was signed in the amount of \$341,606.

*City of Imperial Beach*

**Schedule of Proportionate Share of the Net Pension Liability  
And Related Ratios as of the Measurement Date  
As of June 30, for the Last Ten Fiscal Years \***

Measurement Date	Employer's Proportion of the Collective Net Pension Liability <sup>1</sup>	Employer's Proportionate Share of the Collective Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	Pension Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.09955%	\$ 6,194,125	\$ 4,376,672	141.53%	79.82%
6/30/2015	0.11650%	7,997,144	4,287,307	186.53%	80.86%
6/30/2016	0.12284%	10,629,198	4,984,408	213.25%	75.81%
6/30/2017	0.12522%	12,418,086	5,217,228	238.02%	74.88%
6/30/2018	0.12807%	12,341,076	5,241,053	235.47%	76.23%
6/30/2019	0.08029%	8,227,242	5,670,863	145.08%	85.11%
6/30/2020	0.08736%	9,504,977	5,774,101	164.61%	83.84%
6/30/2021	0.04211%	2,277,672	5,971,175	38.14%	96.28%
6/30/2022	0.10509%	12,138,749	6,625,249	183.22%	81.29%

<sup>1</sup> Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

\* Measurement period June 30, 2014 was the first year of implementation, therefore, only nine years are presented.

# City of Imperial Beach

## Schedule of Plan Contributions As of June 30, for the Last Ten Fiscal Years <sup>(1)</sup>

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	\$ 757,141	\$ (757,141)	\$ -	\$ 4,287,307	17.66%
6/30/2016	928,277	(928,277)	-	4,984,408	18.62%
6/30/2017	1,015,261	(1,015,261)	-	5,217,228	19.46%
6/30/2018	1,159,776	(1,159,776)	-	5,241,053	22.13%
6/30/2019	3,424,387	(8,454,260)	(5,029,873)	5,670,863	149.08%
6/30/2020	1,226,832	(1,226,832)	-	5,774,101	21.25%
6/30/2021	1,386,331	(1,386,331)	-	5,971,175	23.22%
6/30/2022	1,498,066	(1,498,066)	-	6,625,249	22.61%
6/30/2023	1,697,620	(1,697,620)	-	7,370,969	23.03%

<sup>(1)</sup> Fiscal year 2014-15 (measurement date June 30, 2014) was the first year of implementation, therefore, only seven years are presented.

### Notes to Schedule:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

# City of Imperial Beach

## Schedule of Changes in the Net OPEB Liability and Related Ratios As of June 30, 2023 for the Last Ten Fiscal Years <sup>(1)</sup>

Measurement Date (June 30) Report Date (June 30)	2022 2023	2021 2022	2020 2021	2019 2020	2018 2019	2017 2018
<b>Total OPEB Liability</b>						
Service cost	\$ 132,985	\$ 141,432	\$ 136,440	\$ 42,506	\$ 37,920	\$ 36,905
Interest on TOL / Return on FNP	72,880	52,597	51,105	31,887	28,462	28,779
Differences between expected and actual experience	-	(90,018)	-	170,621	-	-
Changes in assumptions	(546,410)	(400,373)	13,465	1,180,019	41,088	-
Benefit payments	(65,703)	(85,701)	(97,152)	(23,042)	(770)	(20,915)
<b>Net change in total OPEB liability</b>	<b>(406,248)</b>	<b>(382,063)</b>	<b>103,858</b>	<b>1,401,991</b>	<b>106,700</b>	<b>44,769</b>
<b>Total OPEB liability - beginning</b>	<b>2,025,106</b>	<b>2,407,169</b>	<b>2,303,311</b>	<b>901,320</b>	<b>794,620</b>	<b>749,851</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 1,618,858</b>	<b>\$ 2,025,106</b>	<b>\$ 2,407,169</b>	<b>\$ 2,303,311</b>	<b>\$ 901,320</b>	<b>\$ 794,620</b>
<b>Plan Fiduciary Net Position</b>						
Contribution - employer	365,703	-	-	-	-	-
Interest on TOL / Return on FNP	16,932	-	-	-	-	-
Benefit payments	(65,703)	-	-	-	-	-
Administrative expense	(715)	-	-	-	-	-
<b>Net change in Plan Fiduciary Net Position</b>	<b>316,217</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position - ending (b)</b>	<b>316,217</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net OPEB Liability - ending (a) - (b)</b>	<b>\$ 1,302,641</b>	<b>\$ 2,025,106</b>	<b>\$ 2,407,169</b>	<b>\$ 2,303,311</b>	<b>\$ 901,320</b>	<b>\$ 794,620</b>
Plan fiduciary net position as a percentage of the total OPEB liability	19.53%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 7,502,746	\$ 6,625,249	\$ 6,059,385	\$ 5,878,059	\$ 5,484,385	\$ 5,388,899
Net OPEB liability as a percentage of covered-employee payroll	17.36%	30.57%	39.73%	39.18%	16.43%	14.75%

### Notes to Schedule:

Prior to fiscal year 2023, the City did not accumulate assets in a qualifying trust for future OPEB benefits.

Contributions are fixed and not based on a measure of pay, therefore covered-employee payroll is used in the schedule.

<sup>(1)</sup> Historical information is required only for measurement years for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

# City of Imperial Beach

## Schedule of Plan Contributions As of June 30, 2023 for the Last Ten Fiscal Years <sup>(1)</sup>

Fiscal Year Ended June 30,	2023
Contractually Determined Contributions (CDC)	\$ 29,520
Contributions in relation to the CDC	(329,520)
Contribution deficiency/(excess)	<u>\$ (300,000)</u>
Covered-employee payroll	\$ 7,502,746
Contribution as a percentage of covered-employee payroll	4.39%

### Notes to schedule:

Prior to fiscal year 2023, the City did not accumulate assets in a qualifying trust for future OPEB benefits, and as such, only information for fiscal year ended June 30, 2023 is presented.

Contributions are fixed and not based on a measure of pay, therefore covered-employee payroll is used in the schedule.

Valuation date used	6/30/2022
Actuarial cost method	Entry Age Normal
Amortization method	Level % of pay
Amortization period	11.7 years
Asset valuation method	Fair Value
Inflation	2.50%
Healthcare cost trend rates	4.00%
Salary increases	2.75%
Investment rate of return	5.95%
Retirement age	From 50 to 62
Mortality	2017 CalPERS Study

<sup>1</sup> Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

# City of Imperial Beach

## Budgetary Comparison Schedule by Department General Fund Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 15,934,369	\$ 15,934,369	\$ 15,934,369	\$ -
<b>Resources (Inflows):</b>				
Taxes	15,136,400	18,190,400	19,558,463	1,368,063
Licenses and permits	665,095	724,695	745,780	21,085
Intergovernmental	117,000	312,884	426,004	113,120
Charges for services	6,643,310	6,373,310	6,419,685	46,375
Use of money and property	556,800	486,800	620,607	133,807
Fines and forfeitures	233,410	343,410	404,873	61,463
Miscellaneous	164,080	974,080	990,954	16,874
Lease acquisition	-	-	16,451	16,451
Transfers in	1,643,250	1,002,850	950,252	(52,598)
<b>Amounts Available for Appropriations</b>	<b>41,093,714</b>	<b>44,342,798</b>	<b>46,067,438</b>	<b>1,724,640</b>
<b>Charges to Appropriation (Outflow):</b>				
General government				
Mayor/City Council	229,000	224,000	219,170	4,830
City Clerk's Office	571,375	574,448	572,543	1,905
City Manager	904,845	1,098,795	1,095,474	3,321
Human Resources	318,700	332,000	336,754	(4,754)
Administrative Services	873,500	1,105,525	1,101,046	4,479
City Attorney	182,000	182,000	167,569	14,431
Community Development	690,300	659,450	597,438	62,012
Facilities Maintenance	456,200	505,617	494,965	10,652
Non-Departmental	2,101,130	2,207,530	2,466,544	(259,014)
Public safety				
Law Enforcement Contract	8,428,900	8,208,900	8,193,552	15,348
Fire Protection	3,028,970	3,028,970	3,029,027	(57)
Ocean/Beach Safety	1,746,470	1,877,970	1,822,117	55,853
Building and Housing Inspection	377,750	465,750	459,444	6,306
Animal Control	355,250	355,250	354,902	348
Code Enforcement	168,700	168,700	171,350	(2,650)
Parks, recreation and senior center				
Recreation	329,650	617,425	591,266	26,159
Park Maintenance	632,750	652,750	643,309	9,441
Senior Services	57,600	60,600	53,295	7,305
Tideland Maintenance	1,035,250	1,020,250	982,883	37,367
Public works				
Street Maintenance	1,306,500	1,447,500	1,445,480	2,020
Administration	434,100	383,600	363,767	19,833
Solid Waste Management	98,550	103,985	97,206	6,779
Storm Water	327,000	367,865	371,742	(3,877)
Debt Service				
Principal	-	-	35,443	(35,443)
Interest	-	-	1,403	(1,403)
Capital outlay	56,700	154,166	211,972	(57,806)
Transfers out	24,800	1,618,000	1,609,011	8,989
<b>Total Charges to Appropriations</b>	<b>24,735,990</b>	<b>27,421,046</b>	<b>27,488,672</b>	<b>(67,626)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 16,357,724</b>	<b>\$ 16,921,752</b>	<b>\$ 18,578,766</b>	<b>\$ 1,657,014</b>

See Notes to Required Supplementary Information

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*City of Imperial Beach*

**Budgetary Comparison Schedule  
Miscellaneous Grants Fund  
Year Ended June 30, 2023**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 211,245	\$ 211,245	\$ 211,245	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	2,240,762	1,005,445	(1,235,317)
Use of money and property	-	-	44,080	44,080
<b>Amounts Available for Appropriations</b>	<b>211,245</b>	<b>2,452,007</b>	<b>1,260,770</b>	<b>(1,191,237)</b>
<b>Charges to Appropriation (Outflows):</b>				
General government	-	250,000	26,826	223,174
Parks and recreation	-	20,000	1,931	18,069
Public works	-	163,234	164,944	(1,710)
Capital outlay	-	6,111,269	855,163	5,256,106
Transfers out	675,150	675,150	43,970	631,180
<b>Total Charges to Appropriations</b>	<b>675,150</b>	<b>7,219,653</b>	<b>1,092,834</b>	<b>6,126,819</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (463,905)</b>	<b>\$ (4,767,646)</b>	<b>\$ 167,936</b>	<b>\$ 4,935,582</b>

See Notes to Required Supplementary Information

**Note 1: General Budget Policies**

The two-year operating budget adopted by the City Council provides for the general operations of the City. It includes proposed expenditures and the means of financing them on a departmental basis. Budgets are legally adopted for the General Fund and the Special Revenue Funds.

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, 2023, 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.

# City of Imperial Beach

## Notes to Required Supplementary Information June 30, 2023

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### Note 1: General Budget Policies (Continued)

A project-length budget is adopted for the capital projects funds. The debt service fund is governed by bond covenants; therefore, a formal budget is not adopted. Thus, the City does not show a budget comparison debt service funds. In addition, the Housing Authority did not adopt a budget; therefore, a budget comparison is not shown.

#### a. Excess of Expenditures Over Appropriations

Excess expenditures over appropriations were as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
General government			
Human Resources	\$ 336,754	\$ 332,000	\$ (4,754)
Non-Departmental	2,466,544	2,207,530	(259,014)
Public safety			
Fire Protection	3,029,027	3,028,970	(57)
Code Enforcement	171,350	168,700	(2,650)
Public works			
Storm Water	371,742	367,865	(3,877)
Debt Service			
Principal	35,443	-	(35,443)
Interest	1,403	-	(1,403)
Capital outlay	211,972	154,166	(57,806)

#### b. Basis of Budgeting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that for budgeting purposes only encumbrances are treated as expenditures. A reconciliation has been provided on the applicable schedule when the basis of budgeting differs from GAAP.

*City of Imperial Beach*

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2023**

	<u>Special Revenue Funds</u>			<u>Supplemental Law Enforcement</u>
	<u>Gas Tax</u>	<u>Prop A Tax</u>	<u>CDBG Grant</u>	
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 171,556	\$ -	\$ 41,564
Receivables:				
Accounts	-	843	-	-
Due from other governments	59,453	-	67,533	-
<b>Total Assets</b>	<b><u>\$ 59,453</u></b>	<b><u>\$ 172,399</u></b>	<b><u>\$ 67,533</u></b>	<b><u>\$ 41,564</u></b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 30,008	\$ -	\$ 40,564
Accrued liabilities	-	897	-	-
Due to other funds	55,231	-	67,533	-
<b>Total Liabilities</b>	<b><u>55,231</u></b>	<b><u>30,905</u></b>	<b><u>67,533</u></b>	<b><u>40,564</u></b>
<b>Fund Balances (Deficit):</b>				
<b>Restricted for:</b>				
Community development projects	-	-	-	-
Public safety	-	-	-	1,000
Parks, recreation and senior center	-	-	-	-
Public works	4,222	141,494	-	-
<b>Total Fund Balances</b>	<b><u>4,222</u></b>	<b><u>141,494</u></b>	<b><u>-</u></b>	<b><u>1,000</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 59,453</u></b>	<b><u>\$ 172,399</u></b>	<b><u>\$ 67,533</u></b>	<b><u>\$ 41,564</u></b>

*City of Imperial Beach*

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2023**

**(Continued)**

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>RMRA</u>	<u>Housing Authority</u>	<u>Parks Maintenance CIP</u>	<u>Capital Projects</u>
<b>Assets:</b>				
Pooled cash and investments	\$ 1,121,805	\$ 837,148	\$ 1,099,562	\$ 545,898
Receivables:				
Accounts	-	-	-	-
Due from other governments	103,665	-	-	-
<b>Total Assets</b>	<b>\$ 1,225,470</b>	<b>\$ 837,148</b>	<b>\$ 1,099,562</b>	<b>\$ 545,898</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 50	\$ 843	\$ -
Accrued liabilities	-	-	1,853	-
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>50</b>	<b>2,696</b>	<b>-</b>
<b>Fund Balances (Deficit):</b>				
<b>Restricted for:</b>				
Community development projects	-	837,098	-	-
Public safety	-	-	-	-
Parks, recreation and senior center	-	-	1,096,866	-
Public works	1,225,470	-	-	545,898
<b>Total Fund Balances</b>	<b>1,225,470</b>	<b>837,098</b>	<b>1,096,866</b>	<b>545,898</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,225,470</b>	<b>\$ 837,148</b>	<b>\$ 1,099,562</b>	<b>\$ 545,898</b>

*City of Imperial Beach*

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2023**

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	<b>Total Governmental Funds</b>
<b>Assets:</b>	
Pooled cash and investments	\$ 3,817,533
Receivables:	
Accounts	843
Due from other governments	<u>230,651</u>
<b>Total Assets</b>	<b><u>\$ 4,049,027</u></b>
<b>Liabilities and Fund Balances:</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 71,465
Accrued liabilities	2,750
Due to other funds	<u>122,764</u>
<b>Total Liabilities</b>	<b><u>196,979</u></b>
<b>Fund Balances (Deficit):</b>	
<b>Restricted for:</b>	
Community development projects	837,098
Public safety	1,000
Parks, recreation and senior center	1,096,866
Public works	<u>1,917,084</u>
<b>Total Fund Balances</b>	<b><u>3,852,048</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 4,049,027</u></b>

*City of Imperial Beach*

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2023**

	<b>Special Revenue Funds</b>			<b>Supplemental Law</b>
	<b>Gas Tax</b>	<b>Prop A Tax</b>	<b>CDBG Grant</b>	<b>Enforcement</b>
<b>Revenues:</b>				
Intergovernmental	\$ 681,948	\$ 606,974	\$ 408,052	\$ 173,271
Charges for services	-	-	-	-
Use of money and property	4,888	3,133	-	-
Miscellaneous	-	17,915	-	-
<b>Total Revenues</b>	<b>686,836</b>	<b>628,022</b>	<b>408,052</b>	<b>173,271</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	222,260
Public works	-	5,368	-	-
Debt Service				
Principal	-	296,932	-	-
Interest	-	25,184	-	-
Capital outlay	-	237,033	408,052	-
<b>Total Expenditures</b>	<b>-</b>	<b>564,517</b>	<b>408,052</b>	<b>222,260</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	686,836	63,505	-	(48,989)
<b>Other Financing Sources (Uses):</b>				
Proceeds of commercial paper	-	148,000	-	-
Transfers in	-	-	-	-
Transfers out	(681,949)	(249,500)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(681,949)</b>	<b>(101,500)</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	4,887	(37,995)	-	(48,989)
Fund Balances (Deficit), Beginning of Year	(665)	179,489	-	49,989
<b>Fund Balances, End of Year</b>	<b>\$ 4,222</b>	<b>\$ 141,494</b>	<b>\$ -</b>	<b>\$ 1,000</b>

*City of Imperial Beach*

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2023**

**(Continued)**

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>RMRA</u>	<u>Housing Authority</u>	<u>Parks Maintenance CIP</u>	<u>Capital Projects</u>
<b>Revenues:</b>				
Intergovernmental	\$ 591,593	\$ -	\$ 151,100	\$ -
Charges for services	-	-	36,056	-
Use of money and property	6,678	135,808	5,024	18,117
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>598,271</b>	<b>135,808</b>	<b>192,180</b>	<b>18,117</b>
<b>Expenditures:</b>				
Current:				
General government	-	11,833	-	-
Public safety	-	-	-	-
Public works	-	-	9,448	816
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	228,124	208,959
<b>Total Expenditures</b>	<b>-</b>	<b>11,833</b>	<b>237,572</b>	<b>209,775</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	598,271	123,975	(45,392)	(191,658)
<b>Other Financing Sources (Uses):</b>				
Proceeds of commercial paper	-	-	-	-
Transfers in	-	-	800,000	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>800,000</b>	<b>-</b>
Net Change in Fund Balances	598,271	123,975	754,608	(191,658)
Fund Balances (Deficit), Beginning of Year	627,199	713,123	342,258	737,556
<b>Fund Balances, End of Year</b>	<b>\$ 1,225,470</b>	<b>\$ 837,098</b>	<b>\$ 1,096,866</b>	<b>\$ 545,898</b>

# City of Imperial Beach

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2023

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	<b>Total Governmental Funds</b>
<b>Revenues:</b>	
Intergovernmental	\$ 2,612,938
Charges for services	36,056
Use of money and property	173,648
Miscellaneous	17,915
	<hr/>
<b>Total Revenues</b>	<b>2,840,557</b>
<b>Expenditures:</b>	
Current:	
General government	11,833
Public safety	222,260
Public works	15,632
Debt Service	
Principal	296,932
Interest	25,184
Capital outlay	1,082,168
	<hr/>
<b>Total Expenditures</b>	<b>1,654,009</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<hr/> 1,186,548
<b>Other Financing Sources (Uses):</b>	
Proceeds of commercial paper	148,000
Transfers in	800,000
Transfers out	(931,449)
	<hr/>
<b>Total Other Financing Sources (Uses)</b>	<b>16,551</b>
Net Change in Fund Balances	1,203,099
Fund Balances (Deficit), Beginning of Year	<hr/> 2,648,949
<b>Fund Balances, End of Year</b>	<b>\$ 3,852,048</b>

*City of Imperial Beach*

**Budgetary Comparison Schedule – Special Revenue Funds  
Gas Tax  
Year Ended June 30, 2023**

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	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ (665)	\$ (665)	\$ (665)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	696,050	696,050	681,948	(14,102)
Use of money and property	-	-	4,888	4,888
<b>Amounts Available for Appropriations</b>	<b>695,385</b>	<b>695,385</b>	<b>686,171</b>	<b>(9,214)</b>
<b>Charges to Appropriation (Outflows):</b>				
Transfers out	696,050	696,050	681,949	14,101
<b>Total Charges to Appropriations</b>	<b>696,050</b>	<b>696,050</b>	<b>681,949</b>	<b>14,101</b>
<b>Budgetary Fund Balance (Deficit), June 30</b>	<b>\$ (665)</b>	<b>\$ (665)</b>	<b>\$ 4,222</b>	<b>\$ 4,887</b>

*City of Imperial Beach*

**Budgetary Comparison Schedule – Special Revenue Funds  
Prop A Tax  
Year Ended June 30, 2023**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 179,489	\$ 179,489	\$ 179,489	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	432,000	607,000	606,974	(26)
Use of money and property	-	-	3,133	3,133
Miscellaneous	26,500	165,000	17,915	(147,085)
Commercial paper acquisition	-	-	148,000	148,000
<b>Amounts Available for Appropriations</b>	<b>637,989</b>	<b>951,489</b>	<b>955,511</b>	<b>4,022</b>
<b>Charges to Appropriation (Outflows):</b>				
Public works	-	-	5,368	(5,368)
Debt Service				
Principal	-	296,900	296,932	(32)
Interest	296,900	25,200	25,184	16
Capital outlay	-	942,535	237,033	705,502
Transfers out	249,500	249,500	249,500	-
<b>Total Charges to Appropriations</b>	<b>546,400</b>	<b>1,514,135</b>	<b>814,017</b>	<b>700,118</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 91,589</b>	<b>\$ (562,646)</b>	<b>\$ 141,494</b>	<b>\$ 704,140</b>

*City of Imperial Beach*

**Budgetary Comparison Schedule – Special Revenue Funds  
CDBG Grant  
Year Ended June 30, 2023**

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	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance (Deficit), July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	408,100	408,052	(48)
<b>Amounts Available for Appropriations</b>	<b>-</b>	<b>408,100</b>	<b>408,052</b>	<b>(48)</b>
<b>Charges to Appropriation (Outflows):</b>				
Capital outlay	-	408,037	408,052	(15)
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>408,037</b>	<b>408,052</b>	<b>(15)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ 63</b>	<b>\$ -</b>	<b>\$ (63)</b>

*City of Imperial Beach*

**Budgetary Comparison Schedule – Special Revenue Funds  
Supplemental Law Enforcement  
Year Ended June 30, 2023**

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	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 49,989	\$ 49,989	\$ 49,989	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	150,000	173,300	173,271	(29)
<b>Amounts Available for Appropriations</b>	<b>199,989</b>	<b>223,289</b>	<b>223,260</b>	<b>(29)</b>
<b>Charges to Appropriation (Outflows):</b>				
Public safety	150,000	222,300	222,260	40
<b>Total Charges to Appropriations</b>	<b>150,000</b>	<b>222,300</b>	<b>222,260</b>	<b>40</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 49,989</b>	<b>\$ 989</b>	<b>\$ 1,000</b>	<b>\$ 11</b>

*City of Imperial Beach*

**Budgetary Comparison Schedule – Special Revenue Funds  
RMRA  
Year Ended June 30, 2023**

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	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 627,199	\$ 627,199	\$ 627,199	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	536,450	536,450	591,593	55,143
Use of money and property	-	-	6,678	6,678
<b>Amounts Available for Appropriations</b>	<b>1,163,649</b>	<b>1,163,649</b>	<b>1,225,470</b>	<b>61,821</b>
<b>Charges to Appropriation (Outflows):</b>				
Capital outlay	-	436,343	-	436,343
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>436,343</b>	<b>-</b>	<b>436,343</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,163,649</b>	<b>\$ 727,306</b>	<b>\$ 1,225,470</b>	<b>\$ 498,164</b>

*City of Imperial Beach*

**Budgetary Comparison Schedule – Special Revenue Funds  
Housing Authority  
Year Ended June 30, 2023**

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	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 713,123	\$ 713,123	\$ 713,123	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	135,808	135,808
<b>Amounts Available for Appropriations</b>	<b>713,123</b>	<b>713,123</b>	<b>848,931</b>	<b>135,808</b>
<b>Charges to Appropriation (Outflows):</b>				
General government	-	12,000	11,833	167
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>12,000</b>	<b>11,833</b>	<b>167</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 713,123</b>	<b>\$ 701,123</b>	<b>\$ 837,098</b>	<b>\$ 135,975</b>

*City of Imperial Beach*

**Budgetary Comparison Schedule – Capital Projects Funds  
Parks Maintenance CIP  
Year Ended June 30, 2023**

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	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 342,258	\$ 342,258	\$ 342,258	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	-	151,100	151,100
Charges for services	40,000	40,000	36,056	(3,944)
Use of money and property	-	-	5,024	5,024
Transfers in	-	800,000	800,000	-
<b>Amounts Available for Appropriations</b>	<b>382,258</b>	<b>1,182,258</b>	<b>1,334,438</b>	<b>152,180</b>
<b>Charges to Appropriation (Outflows):</b>				
Public works	-	-	9,448	(9,448)
Capital outlay	-	1,178,907	228,124	950,783
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>1,178,907</b>	<b>237,572</b>	<b>941,335</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 382,258</b>	<b>\$ 3,351</b>	<b>\$ 1,096,866</b>	<b>\$ 1,093,515</b>

*City of Imperial Beach*

**Budgetary Comparison Schedule – Capital Projects Funds  
Capital Projects  
Year Ended June 30, 2023**

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	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance (Deficit), July 1	\$ 737,556	\$ 737,556	\$ 737,556	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	18,117	18,117
<b>Amounts Available for Appropriations</b>	<b>737,556</b>	<b>737,556</b>	<b>755,673</b>	<b>18,117</b>
<b>Charges to Appropriation (Outflows):</b>				
Public works	-	-	816	(816)
Capital outlay	-	786,933	208,959	577,974
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>786,933</b>	<b>209,775</b>	<b>577,158</b>
<b>Budgetary Fund Balance (Deficit), June 30</b>	<b>\$ 737,556</b>	<b>\$ (49,377)</b>	<b>\$ 545,898</b>	<b>\$ 595,275</b>

# City of Imperial Beach

## Combining Statement of Net Position Internal Service Funds June 30, 2023

	Vehicle Replacement & Maintenance	Self- Insurance	Technology & Communication	Facilities Repair & Maintenance	Total
<b>Assets:</b>					
Current:					
Pooled Cash and investments	\$ 484,736	\$ 1,790,555	\$ 190,387	\$ 219,852	\$ 2,685,530
Prepaid costs	-	-	2,700	-	2,700
Due from other governments	24,252	74,023	-	-	98,275
<b>Total Current Assets</b>	<b>508,988</b>	<b>1,864,578</b>	<b>193,087</b>	<b>219,852</b>	<b>2,786,505</b>
Noncurrent:					
Capital assets, not being depreciated	1,009,858	-	-	-	1,009,858
Capital assets, net of depreciation	416,114	-	151,288	41,821	609,223
<b>Total Noncurrent Assets</b>	<b>1,425,972</b>	<b>-</b>	<b>151,288</b>	<b>41,821</b>	<b>1,619,081</b>
<b>Total Assets</b>	<b>1,934,960</b>	<b>1,864,578</b>	<b>344,375</b>	<b>261,673</b>	<b>4,405,586</b>
<b>Deferred Outflows of Resources:</b>					
Deferred pension and related items	73,186	45,634	46,495	-	165,315
Deferred OPEB related items	8,114	5,060	5,155	-	18,329
<b>Total Deferred Outflows of Resources</b>	<b>81,300</b>	<b>50,694</b>	<b>51,650</b>	<b>-</b>	<b>183,644</b>
<b>Liabilities:</b>					
Current:					
Accounts payable	23,086	25,306	4,992	9,840	63,224
Accrued liabilities	23,497	4,090	14,221	-	41,808
Compensated absences due in one year	10,890	8,503	9,205	-	28,598
Claims and judgments due in one year	-	178,000	-	-	178,000
Long-term liabilities due in one year	116,708	-	181,333	-	298,041
<b>Total Current Liabilities</b>	<b>174,181</b>	<b>215,899</b>	<b>209,751</b>	<b>9,840</b>	<b>609,671</b>
Noncurrent:					
Compensated absences due in more than one year	-	6,507	-	-	6,507
Claims and judgments due in more than one year	-	650,000	-	-	650,000
Long-term liabilities	393,150	-	54,666	-	447,816
Net pension liability	103,179	64,335	65,549	-	233,063
Net OPEB liability	11,072	6,904	7,034	-	25,010
<b>Total Noncurrent Liabilities</b>	<b>507,401</b>	<b>727,746</b>	<b>127,249</b>	<b>-</b>	<b>1,362,396</b>
<b>Total Liabilities</b>	<b>681,582</b>	<b>943,645</b>	<b>337,000</b>	<b>9,840</b>	<b>1,972,067</b>
<b>Deferred Inflows of Resources:</b>					
Deferred pension related items	17,700	11,037	11,245	-	39,982
Deferred OPEB related items	7,880	4,913	5,006	-	17,799
<b>Total Deferred Inflows of Resources</b>	<b>25,580</b>	<b>15,950</b>	<b>16,251</b>	<b>-</b>	<b>57,781</b>
<b>Net Position (Deficit):</b>					
Investment in capital assets	916,114	-	(84,711)	41,821	873,224
Unrestricted	392,984	955,677	127,485	210,012	1,686,158
<b>Total Net Position</b>	<b>\$ 1,309,098</b>	<b>\$ 955,677</b>	<b>\$ 42,774</b>	<b>\$ 251,833</b>	<b>\$ 2,559,382</b>

*City of Imperial Beach*

**Combining Statement of Revenues, Expenses, and Changes in Net Position  
Internal Service Funds  
Year Ended June 30, 2023**

	Vehicle Replacement & Maintenance	Self- Insurance	Technology & Communication	Facilities Repair & Maintenance	Total
<b>Operating Revenues:</b>					
Sales and service charges	\$ 421,800	\$ 756,950	\$ 567,200	\$ 10,500	\$ 1,756,450
Miscellaneous	135,786	334,337	-	-	470,123
<b>Total Operating Revenues</b>	<b>557,586</b>	<b>1,091,287</b>	<b>567,200</b>	<b>10,500</b>	<b>2,226,573</b>
<b>Operating Expenses:</b>					
Services and supplies	444,898	173,819	249,301	133,019	1,001,037
Claims expense	-	594,259	-	-	594,259
Personnel and administrative	265,663	147,819	298,356	118	711,956
Depreciation/ Amortization expense	178,077	-	284,100	4,610	466,787
<b>Total Operating Expenses</b>	<b>888,638</b>	<b>915,897</b>	<b>831,757</b>	<b>137,747</b>	<b>2,774,039</b>
Operating Income (Loss)	(331,052)	175,390	(264,557)	(127,247)	(547,466)
<b>Nonoperating Revenues (Expenses):</b>					
Investment income	22,270	24,423	(128)	66	46,631
Interest expense	(17,015)	-	(4,629)	-	(21,644)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>5,255</b>	<b>24,423</b>	<b>(4,757)</b>	<b>66</b>	<b>24,987</b>
<b>Income (Loss) Before Transfers</b>	<b>(325,797)</b>	<b>199,813</b>	<b>(269,314)</b>	<b>(127,181)</b>	<b>(522,479)</b>
Transfers in	230,000	-	290,978	313,200	834,178
<b>Total Transfers</b>	<b>230,000</b>	<b>-</b>	<b>290,978</b>	<b>313,200</b>	<b>834,178</b>
Changes in Net Position	(95,797)	199,813	21,664	186,019	311,699
<b>Net Position (Deficit):</b>					
Beginning of Year	1,404,895	755,864	21,110	65,814	2,247,683
<b>End of Year</b>	<b>\$ 1,309,098</b>	<b>\$ 955,677</b>	<b>\$ 42,774</b>	<b>\$ 251,833</b>	<b>\$ 2,559,382</b>

# City of Imperial Beach

## Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2023

	Vehicle Replacement & Maintenance	Self- Insurance	Technology & Communication	Facilities Repair & Maintenance	Total
<b>Cash Flows from Operating Activities:</b>					
Cash received from/(paid to) interfund service provided	\$ 562,940	\$ 1,017,264	\$ 567,200	\$ 10,500	\$ 2,157,904
Cash paid to suppliers for goods and services	(470,446)	(617,820)	(272,735)	(123,179)	(1,484,180)
Cash paid to employees for services	(213,537)	(124,119)	(265,166)	(118)	(602,940)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(121,043)</b>	<b>275,325</b>	<b>29,299</b>	<b>(112,797)</b>	<b>70,784</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Transfers from other funds	230,000	-	290,978	313,200	834,178
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>230,000</b>	<b>-</b>	<b>290,978</b>	<b>313,200</b>	<b>834,178</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Principal Paid on subscription lease	-	-	(167,294)	-	(167,294)
Interest paid on subscription lease	(17,015)	-	(4,629)	-	(21,644)
Acquisition and construction of capital assets	(648,464)	-	(32,095)	(44,724)	(725,283)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(665,479)</b>	<b>-</b>	<b>(204,018)</b>	<b>(44,724)</b>	<b>(914,221)</b>
<b>Cash Flows from Investing Activities:</b>					
Investment income (loss)	22,270	24,423	(128)	66	46,631
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>22,270</b>	<b>24,423</b>	<b>(128)</b>	<b>66</b>	<b>46,631</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>					
	(534,252)	299,748	116,131	155,745	37,372
Cash and Cash Equivalents, Beginning of Year	1,018,988	1,490,807	74,256	64,107	2,648,158
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 484,736</b>	<b>\$ 1,790,555</b>	<b>\$ 190,387</b>	<b>\$ 219,852</b>	<b>\$ 2,685,530</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ (331,052)	\$ 175,390	\$ (264,557)	\$ (127,247)	\$ (547,466)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>					
Depreciation	178,077	-	284,100	4,610	466,787
(Increase) decrease in prepaid costs	-	-	26,611	-	26,611
(Increase) decrease in due from other governments	5,354	(74,023)	-	-	(68,669)
(Increase) decrease in deferred outflows - pension	(35,709)	(22,266)	(22,686)	-	(80,661)
(Increase) decrease in deferred outflows - OPEB	954	594	606	-	2,154
Increase (decrease) in accounts payable	(25,548)	22,258	(50,045)	9,840	(43,495)
Increase (decrease) in accrued liabilities	17,531	682	7,079	-	25,292
Increase (decrease) in compensated absences	3,514	3,640	6,366	-	13,520
Increase (decrease) in claims and judgments	-	128,000	-	-	128,000
Increase (decrease) in net pension liability	83,819	52,263	53,250	-	189,332
Increase (decrease) in net OPEB liability	(6,141)	(3,829)	(3,902)	-	(13,872)
Increase (decrease) in deferred inflows - pension	(15,879)	(9,901)	(10,088)	-	(35,868)
Increase (decrease) in deferred inflows - OPEB	4,037	2,517	2,565	-	9,119
<b>Total Adjustments</b>	<b>210,009</b>	<b>99,935</b>	<b>293,856</b>	<b>14,450</b>	<b>618,250</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (121,043)</b>	<b>\$ 275,325</b>	<b>\$ 29,299</b>	<b>\$ (112,797)</b>	<b>\$ 70,784</b>
<b>Noncash Capital and Financing Activities</b>					
Subscription liabilities	\$ -	\$ -	\$ 403,293	\$ -	\$ 403,293
Subscription acquisition	-	-	(403,293)	-	(403,293)

*City of Imperial Beach*

**Combining Statement of Fiduciary Net Position  
All Custodial Funds  
June 30, 2023**

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	<u>Special Assessment Districts</u>		
	<u>Assessment District #63</u>	<u>Assessment District #64</u>	<u>Assessment District #66</u>
<b>Assets:</b>			
Pooled cash and investments	<u>\$ 122,573</u>	<u>\$ 31,240</u>	<u>\$ 176,761</u>
<b>Total Assets</b>	<u><b>122,573</b></u>	<u><b>31,240</b></u>	<u><b>176,761</b></u>
<b>Net Position:</b>			
Held in trust for other purposes	<u>122,573</u>	<u>31,240</u>	<u>176,761</u>
<b>Total Net Position</b>	<u><b>\$ 122,573</b></u>	<u><b>\$ 31,240</b></u>	<u><b>\$ 176,761</b></u>

*City of Imperial Beach*

**Combining Statement of Fiduciary Net Position  
All Custodial Funds  
June 30, 2023**

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	<u>Special Assessment Districts</u>		<u>Custodial Funds Total</u>
	<u>Assessment District #68</u>	<u>Assessment District #71</u>	
<b>Assets:</b>			
Pooled cash and investments	<u>\$ 105,018</u>	<u>\$ 16,895</u>	<u>\$ 452,487</u>
<b>Total Assets</b>	<u><b>105,018</b></u>	<u><b>16,895</b></u>	<u><b>452,487</b></u>
<b>Net Position:</b>			
Held in trust for other purposes	<u>105,018</u>	<u>16,895</u>	<u>452,487</u>
<b>Total Net Position</b>	<u><b>\$ 105,018</b></u>	<u><b>\$ 16,895</b></u>	<u><b>\$ 452,487</b></u>

*City of Imperial Beach*

**Combining Statement of Changes in Fiduciary Net Position  
All Custodial Funds  
Year Ended June 30, 2023**

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	<u>Special Assessment Districts</u>		
	<u>Assessment District #63</u>	<u>Assessment District #64</u>	<u>Assessment District #66</u>
<b>Additions:</b>			
Interest and change in fair value of investments	\$ 2,018	\$ 514	\$ 2,910
<b>Total Additions</b>	<b>2,018</b>	<b>514</b>	<b>2,910</b>
<b>Changes in Net Position</b>	<b>2,018</b>	<b>514</b>	<b>2,910</b>
Net Position at Beginning of Year	120,555	30,726	173,851
<b>Net Position at End of Year</b>	<b>\$ 122,573</b>	<b>\$ 31,240</b>	<b>\$ 176,761</b>

*City of Imperial Beach*

**Combining Statement of Changes in Fiduciary Net Position  
All Custodial Funds  
Year Ended June 30, 2023**

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	<u>Special Assessment Districts</u>		<u>Custodial Funds Total</u>
	<u>Assessment District #68</u>	<u>Assessment District #71</u>	
<b>Additions:</b>			
Interest and change in fair value of investments	\$ 1,729	\$ 278	\$ 7,449
<b>Total Additions</b>	<u>1,729</u>	<u>278</u>	<u>7,449</u>
<b>Changes in Net Position</b>	<u>1,729</u>	<u>278</u>	<u>7,449</u>
Net Position at Beginning of Year	<u>103,289</u>	<u>16,617</u>	<u>445,038</u>
<b>Net Position at End of Year</b>	<u>\$ 105,018</u>	<u>\$ 16,895</u>	<u>\$ 452,487</u>