



Mural by Rob Tobin

CITY OF IMPERIAL BEACH

FINANCIAL STATEMENTS
FISCAL YEAR ENDED
JUNE 30, 2025



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CITY OF IMPERIAL BEACH, CALIFORNIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2025

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City of Imperial Beach

Financial Statements For the Fiscal Year Ended June 30, 2025

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June 30, 2025**

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2025, 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* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 described in Note 1 to the financial statements during the year ended June 30, 2025, the City adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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 *Government Auditing Standards* 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 *Government Auditing Standards*, 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 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 GAAS, 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 combining and individual fund statements and schedules, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 GAAS. 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 7, 2025, 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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 7, 2025

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City of Imperial Beach

Management's Discussion and Analysis For the Year Ended June 30, 2025

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, 2025. 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 City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$101,135,083 at the close of the fiscal year, representing the City's net position. This combined net position includes restricted and unrestricted resources, as well as the City's investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), net of any related outstanding debt used to acquire those assets. The unrestricted net position accounted for \$19,693,741 of the total. Overall, the City's total net position increased by \$6.9 million from the prior fiscal year. The majority of this increase—approximately \$6.4 million—was attributable to governmental activities, primarily driven by a notable rise in net investment in capital assets.
- The Citywide revenue recorded for the fiscal year ended June 30, 2025, for both governmental and business-type activities totaled \$49,299,792. Revenue from the Successor Agency to the former Redevelopment Agency is not included in this amount, as the Successor Agency is considered a separate legal entity and is not technically part of the municipal corporation. Conversely, Citywide expenses for the fiscal year totaled \$42,441,635.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$26,498,357, representing an increase of approximately \$2.8 million compared to the prior year. Of this amount, \$13,817,396, or 52.1%, constitutes the unassigned fund balance, which is available for appropriation upon City Council majority approval. The remaining \$12,680,961 is classified as nonspendable, restricted, committed, or assigned, in accordance with Governmental Accounting Standards Board (GASB) definitions.
- At the end of the current fiscal year, the unrestricted fund balance—comprising the committed, assigned, and unassigned components of fund balance—for the General Fund totaled \$20,738,792. The unassigned portion of the General Fund balance was \$14,372,157, representing approximately 47.1% of total Fiscal Year 2025 General Fund expenditures and transfers.

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.

City of Imperial Beach

Management's Discussion and Analysis For the Year Ended June 30, 2025

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.

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

City of Imperial Beach

Management's Discussion and Analysis For the Year Ended June 30, 2025

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 ten 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 a 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.

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 currently has five Custodial Funds (Special Assessment Districts), and one Private Trust Fund (the Successor Agency of the Former RDA).

City of Imperial Beach

Management's Discussion and Analysis For the Year Ended June 30, 2025

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, schedule of plan contributions, schedule of changes in the net OPEB liability and related ratios, schedule of plan contributions, 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.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

The change in net position over time is a valuable indicator of a government's financial health. For the City, assets and deferred outflows of resources exceeded liabilities by \$101,135,083 at the end of the most recent fiscal year, reflecting an increase of \$6.9 million from \$94,276,926 on June 30, 2024. This growth represents a positive trend in the City's financial position.

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City of Imperial Beach

Management's Discussion and Analysis For the Year Ended June 30, 2025

City of Imperial Beach's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 39,237,464	\$ 36,608,868	\$ 5,693,428	\$ 5,893,539	\$ 44,930,892	\$ 42,502,407
Capital assets, net	65,902,972	62,041,966	9,842,815	9,158,496	75,745,787	71,200,462
Total assets	105,140,436	98,650,834	15,536,243	15,052,035	120,676,679	113,702,869
Deferred outflows of resources	5,985,971	8,262,314	89,146	187,588	6,075,117	8,449,902
Non-current liabilities	16,006,842	15,800,421	268,755	335,182	16,275,597	16,135,603
Other liabilities	7,289,488	9,196,191	139,145	147,900	7,428,633	9,344,091
Total Liabilities	23,296,330	24,996,612	407,900	483,082	23,704,230	25,479,694
Deferred inflows of resources	1,879,486	2,342,956	32,997	53,195	1,912,483	2,396,151
Net position						
Net investment in capital assets	65,307,003	61,064,409	9,842,815	9,158,496	75,149,818	70,222,905
Restricted	6,291,524	5,852,059	-	-	6,291,524	5,852,059
Unrestricted	14,352,064	12,657,112	5,341,677	5,544,850	19,693,741	18,201,962
Total net position	\$ 85,950,591	\$ 79,573,580	\$ 15,184,492	\$ 14,703,346	\$ 101,135,083	\$ 94,276,926

The largest portion of the City's net position, comprising 74.3%, reflects its investment in capital assets—such as land, buildings, furniture, and infrastructure—minus any related outstanding debt incurred to acquire those assets. These capital assets are essential for providing a range of services to residents, but they are not available for future spending. While the investment in capital assets is reported net of related debt, it's important to note that resources to repay this debt must come from other sources, as the capital assets themselves cannot be used to settle these liabilities.

An additional portion of the City's net position, representing 6.2%, consists of resources that are subject to external restrictions regarding their use. The remaining balance of \$19,693,741 is unrestricted, and can be allocated to various projects following a formal approval process by the City Council majority.

At the end of the 2024-2025 fiscal year, the City reported positive balances for both the government as a whole and its individual governmental and business-type activities, consistent with the prior fiscal year. Although it is common for governmental entities to report negative balances due to pension and other post-retirement benefit obligations, the City's results demonstrate a continued commitment to fiscal responsibility and the effective management of its long-term pension liabilities.

City of Imperial Beach

Management's Discussion and Analysis For the Year Ended June 30, 2025

Overall, the City's net position increased by \$6,858,157 compared to the prior fiscal year. The reasons for this overall increase will be explored in the following sections, focusing on both governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, the overall net position for governmental activities increased by \$6.4 million, bringing the ending balance to \$85,950,591. This increase was primarily driven by revenue growth. The City saw a year-over-year rise in various revenue sources, including Property Tax, Use of Money and Property, and Charges for Services, amounting to \$3.8 million for the Primary Government. This was partially offset by an increase in expenditures of \$2.8 million.

In another positive trend, the unrestricted net position increased by \$1.7 million, reversing the year-over-year decline reported in the prior fiscal year.

City of Imperial Beach's Changes in Net Position

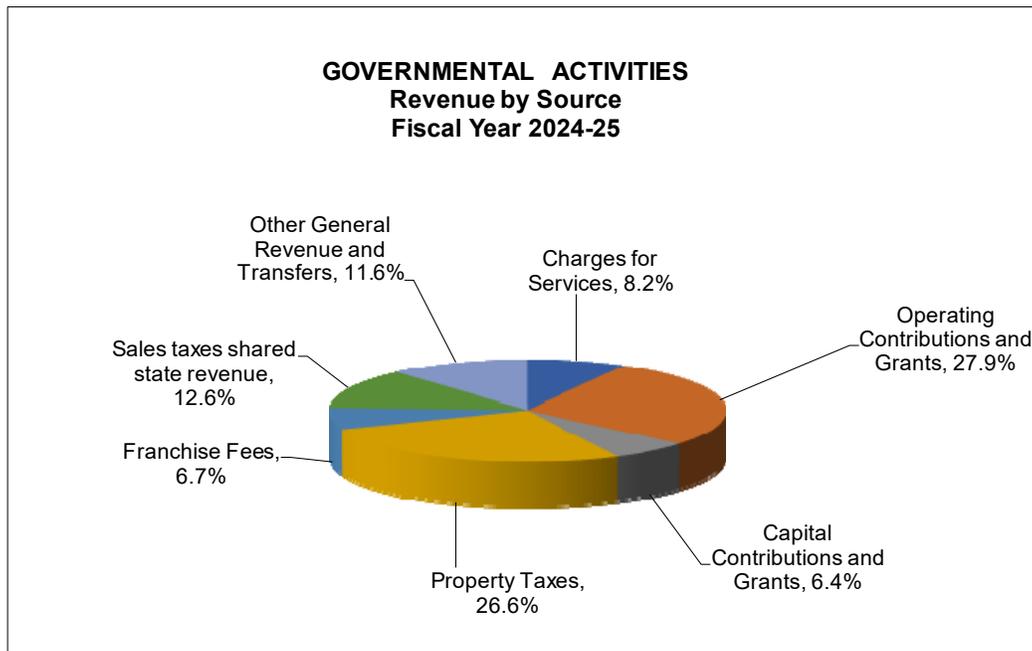
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	\$ 3,489,108	\$ 2,385,909	\$ 6,383,580	\$ 6,167,817	\$ 9,872,688	\$ 8,553,726
Operating contributions and grants	11,880,692	9,932,736	-	-	11,880,692	9,932,736
Capital contributions and grants	2,713,166	2,097,641	-	-	2,713,166	2,097,641
General revenues:						
Property taxes	11,321,207	7,631,894	-	-	11,321,207	7,631,894
Transient occupancy taxes	1,555,066	1,785,561	-	-	1,555,066	1,785,561
Sales taxes	5,373,855	8,394,363	-	-	5,373,855	8,394,363
Franchise taxes	2,834,907	2,812,981	-	-	2,834,907	2,812,981
Business licenses taxes	309,089	315,588	-	-	309,089	315,588
Motor vehicle in lieu - unrestricted	41,904	32,743	-	-	41,904	32,743
Use of money and property	1,949,821	1,700,993	338,395	293,617	2,288,216	1,994,610
Miscellaneous	1,109,002	1,637,699	-	4,575	1,109,002	1,642,274
Total Revenues	42,577,817	38,728,108	6,721,975	6,466,009	49,299,792	45,194,117
Expenses						
General government	8,748,417	7,199,142	-	-	8,748,417	7,199,142
Public safety	16,479,415	16,313,268	-	-	16,479,415	16,313,268
Community development	1,905,065	915,164	-	-	1,905,065	915,164
Parks, recreation and senior center	4,121,644	3,994,461	-	-	4,121,644	3,994,461
Public works	4,936,312	4,865,518	-	-	4,936,312	4,865,518
Interest on long-term debt	9,953	50,842	-	-	9,953	50,842
Sewer	-	-	6,240,829	5,850,855	6,240,829	5,850,855
Total Expenses	36,200,806	33,338,395	6,240,829	5,850,855	42,441,635	39,189,250
Change in Net Position	6,377,011	5,389,713	481,146	615,154	6,858,157	6,004,867
Net Position, Beginning	79,573,580	74,183,867	14,703,346	14,088,192	94,276,926	88,272,059
Net Position, Ending	\$ 85,950,591	\$ 79,573,580	\$ 15,184,492	\$ 14,703,346	\$ 101,135,083	\$ 94,276,926

City of Imperial Beach

**Management’s Discussion and Analysis
For the Year Ended June 30, 2025**

**GOVERNMENTAL ACTIVITIES
Revenue by Source**

Revenue Source	2025	Percent of Total	Increase (Decrease) From 2024	Percent Increase (Decrease)
Charges for services	\$ 3,489,108	8.2%	\$ 1,103,199	31.6%
Operating contributions and grants	11,880,692	27.9%	1,947,956	16.4%
Capital contributions and grants	2,713,166	6.4%	615,525	22.7%
Property taxes	11,321,207	26.6%	3,689,313	32.6%
Sales taxes	5,373,855	12.6%	(3,020,508)	-56.2%
Franchise fees	2,834,907	6.7%	21,926	0.8%
Other general revenue and transfers	4,964,882	11.6%	(507,702)	-10.2%
Total revenue	\$ 42,577,817	100.0%	\$ 3,849,709	9.0%

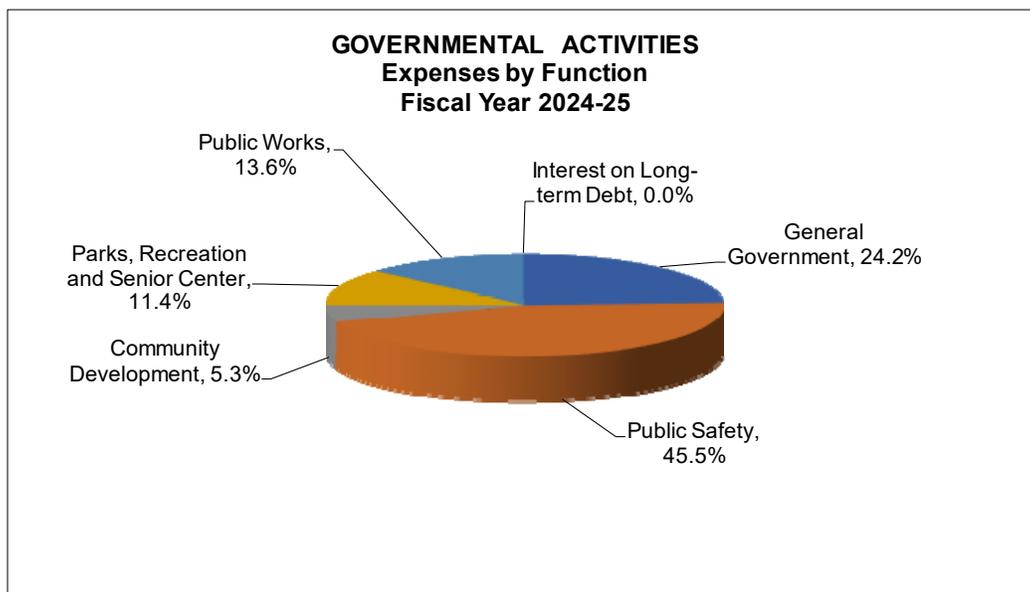


City of Imperial Beach

**Management’s Discussion and Analysis
For the Year Ended June 30, 2025**

**GOVERNMENTAL ACTIVITIES
Expenses by Function**

Function	2025	Percent of Total	Increase (Decrease) From 2024	Percent Increase (Decrease)
General government	\$ 8,748,417	24.2%	\$ 1,549,275	17.7%
Public safety	16,479,415	45.5%	166,147	1.0%
Community development	1,905,065	5.3%	989,901	52.0%
Parks, recreation and senior center	4,121,644	11.4%	127,183	3.1%
Public works	4,936,312	13.6%	70,794	1.4%
Interest on long-term debt	9,953	0.0%	(40,889)	-410.8%
Total expenses	\$ 36,200,806	100.0%	\$ 2,862,411	7.9%



Business-type Activities. For the City’s business-type activities, represented by the Wastewater Enterprise Fund, the results for the current fiscal year were mixed. The overall net position increased slightly to an ending balance of \$15,184,492, with a total increase of \$481,146, or 3.27% from the prior fiscal year. However, the unrestricted net position decreased by \$203,173, representing a 3.7% decline year-over-year, indicating that while total net position improved, the portion available for operational use experienced a slight reduction.

City of Imperial Beach

Management's Discussion and Analysis For the Year Ended June 30, 2025

While sewer fees collected through the San Diego County property tax roll increased slightly year-over-year, there remains a concern that the pace of fee growth is not keeping up with rising wastewater flow charges imposed by the Metro Wastewater Joint Powers Authority and other operational needs of the Wastewater Enterprise Fund. Additionally, because these fees are based on water consumption, they are influenced by water conservation measures.

The current rate of sewer fee growth may limit the City's ability to fund essential sewer infrastructure rehabilitation projects in the coming years. Management is actively monitoring these funding challenges and evaluating strategies to ensure the long-term sustainability of the Wastewater Enterprise Fund and the City's critical wastewater infrastructure.

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.

Unassigned fund balance may serve as a valuable indicator of a government's net resources available for discretionary use, as it represents the portion of fund balance that has not yet been limited for a particular purpose by either an external party, the City itself, or individuals or groups delegated by the City Council to assign resources. This flexibility allows the City to allocate these funds to meet various needs or respond to emerging priorities without being bound by pre-existing commitments.

On June 30, 2025, the City's governmental funds reported combined fund balances of \$26,498,357, an increase of \$2.8 million in comparison to the prior year. Approximately 52.1% or \$13,817,396 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 a spendable form (\$22,802), 2) restricted for particular purposes (\$6,291,524), 3) committed for a certain use (\$4,458,100), or 3) assigned for particular purposes (\$1,908,535).

Capital outlay expenditures continued to be a major driver of the City's financial position, increasing to \$6,784,549, consistent with the record capital spending of the prior year. This increase reflects ongoing construction activities on several ARPA-funded facility improvements, as well as progress on various larger street and park projects.

Major Funds

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$14,372,157, while the total fund balance increased by \$3 million or 15.6% to \$22,059,747. To assess the General Fund's liquidity, it's useful to compare both the unassigned fund balance and total fund balance to total General Fund

City of Imperial Beach

Management's Discussion and Analysis For the Year Ended June 30, 2025

expenditures. The unassigned fund balance represents approximately 47.1% of total FY2025 General Fund expenditures and transfers out, while the total fund balance accounts for about 72.3% of that amount.

The Miscellaneous Grants Fund, another major fund, is used to account for various grants awarded to the City, including COVID-19 relief grants. The fund ended the fiscal year with a balance of \$(275,374). The negative balance reflects grant expenditures incurred but not yet reimbursed.

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 originally adopted a General Fund budget with projected revenues (including transfers) of \$30,557,300 and projected expenditures (including transfers) of \$30,002,400, resulting in a budgeted surplus of \$554,900. During the fiscal year, the City Council authorized amendments to the original appropriations, and minor reallocations of funds among departments were made. These adjustments between departments were not significant and did not increase the overall operating budget. Additionally, certain budgets for ongoing projects were carried forward from the prior fiscal year budgeted allocations.

The more significant amendments to the revenue budget were primarily due to higher-than-expected Franchise Tax revenues, as solid waste franchise fees exceeded projections, and Property Tax revenues, which continued to perform strongly. Additionally, multiple types of Charges for City-Provided Services, including plan checks, planning fees, and permits, were adjusted upward. These increases reflect higher collections resulting from the adoption of a new fee schedule that more accurately aligns fees with the true costs of providing services to the public. Offsetting these positive adjustments, certain downward revisions were made as Sales Tax and Cannabis Tax revenues underperformed relative to expectations.

On the expenditure side, adjustments to the transfer-out budget were the primary driver of fluctuations. The budget was increased during the year to allocate funding for various facility improvement projects, including HVAC replacements at the Fire Station and the IT Server Room, which were transferred to their respective Capital Improvement Project (CIP) funds. Additionally, a series of expenditure amendments—both increases and decreases—were made across various departments, resulting in a net increase of \$749,000 in the overall expenditure budget. This increase was largely attributable to the aforementioned transfers, which utilized General Fund reserves to fund these one-time facility projects.

City of Imperial Beach

Management's Discussion and Analysis For the Year Ended June 30, 2025

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2025, the City's investment in capital assets for its governmental and business-type activities totaled \$75,745,787, net of accumulated depreciation. This investment includes land, land improvements, buildings, furniture, machinery, equipment, and infrastructure. The total increase in capital assets during the current fiscal year was \$4.9 million, representing a growth of approximately 7.0%. This increase is primarily attributable to construction in progress, structure improvements, and infrastructure projects, partially offset by capital asset dispositions and depreciation.

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
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	7,707,107	5,609,507	1,814,316	908,410	9,521,423	6,517,917
Structures and Improvements	7,693,936	6,004,134	5,570	-	7,699,506	6,004,134
Equipment and vehicles	1,970,051	2,115,013	-	-	1,970,051	2,115,013
Infrastructure	33,331,700	33,052,981	-	-	33,331,700	33,052,981
Right-to-use	105,319	165,472	11,544	-	116,863	165,472
Sewer	-	-	8,011,385	8,250,086	8,011,385	8,250,086
Total	\$ 65,902,972	\$ 62,041,966	\$ 9,842,815	\$ 9,158,496	\$ 75,745,787	\$ 71,200,462

During the fiscal year, the City completed several parks, facilities, and infrastructure improvements, including streetscape enhancements on 10th Street, a new restroom at Sports Park, improvements to the Senior Center, and various other city facility upgrades. Construction continued on several large street and facility improvement projects, supported by significant external funding sources, including state and private grants as well as federal assistance. These initiatives are designed to enhance the community and improve the quality of services provided to residents.

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 \$ 17,260,853. Notably, 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 \$173,426 principal outstanding on Transnet Commercial Paper borrowing, \$318,184 principal outstanding on financed equipment, and \$104,359 of lease/subscription liability for printing equipment and subscription-based information technology agreements (SBITA).

City of Imperial Beach

Management's Discussion and Analysis For the Year Ended June 30, 2025

As of June 30, 2025, the City's pension-related obligations in the California Public Employees' Retirement System (CalPERS) consisted of a net pension liability of \$13,231,805 and other post-retirement benefits (OPEB) liability of \$1,522,525. The pension unfunded liability decreased slightly by \$306,131 (2.3%) following several years of significant increases. In contrast, the OPEB liability increased by \$119,000 (8.5%). Managing the impact of these substantial post-employment benefit costs remains a primary focus of management. Further details are provided in Note 10 of this report.

The City also has a total obligation of \$1,624,554 for compensated absences (vacation and sick leave) for the existing employees, of which \$1,043,358 is classified as non-current.

The remainder of the City's long-term obligations of \$286,000 comprises of general liability and workers' compensation claims.

City of Imperial Beach's Non-Current Outstanding Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Compensated absences	\$ 1,531,854	\$ 1,215,329	\$ 92,700	\$ 62,044	\$ 1,624,554	\$ 1,277,373
Claims payable	286,000	370,000	-	-	286,000	370,000
Direct borrowings payable	491,610	821,581	-	-	491,610	821,581
Lease/subscription payable	104,359	155,976	-	-	104,359	155,976
Net pension liability	13,062,185	11,869,269	169,620	269,480	13,231,805	12,138,749
Total OPEB liability	1,488,725	1,273,722	33,800	28,919	1,522,525	1,302,641
Total	\$ 16,964,733	\$ 15,705,877	\$ 296,120	\$ 360,443	\$ 17,260,853	\$ 16,066,320

The City's total non-current liabilities increased by \$1,194,533, or 7.4%, during the current fiscal year. This change was primarily driven by reductions in direct borrowings, net pension liabilities, and claims payable, partially offset by increases in compensated absences and other post-employment benefits (OPEB) liabilities. 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

During Fiscal Year 2025, the City of Imperial Beach made significant progress on capital and operational initiatives while continuing to focus on fiscal responsibility. The City maintains zero municipal debt and actively advances its Capital Improvement Program (CIP) to address critical infrastructure needs, leveraging outside funding opportunities whenever possible.

City of Imperial Beach

Management's Discussion and Analysis For the Year Ended June 30, 2025

Key initiatives included the construction phase of several federally funded ARPA projects, delivering new amenities for residents of all ages. Notable accomplishments included streetscape enhancements on 10th Street, a new restroom at Sports Park, improvements to the Senior Center, and upgrades to various other City facilities. Construction continued at the Sports Park complex, progressed on the 9th Street improvements project, 10th Street Pocket Park, and sewer infrastructure projects, with preliminary work beginning on the Palm Avenue enhancement project.

In total, nearly \$6.3 million was expended on capital outlay from various governmental funds, with over 70% funded through grants, providing critical external resources to benefit the community. Grant funding supported a wide range of initiatives, including the purchase of a new fire engine, programs assisting the unsheltered population, coastal hazard mitigation planning, acquisition of personnel protective equipment for public safety staff, internship programs, recycling initiatives, senior services, and projects promoting bike and pedestrian safety, among others.

During FY2025, General Fund revenues increased by approximately \$1.5 million compared to the prior year—reflecting steady, though moderate, growth consistent with the prior year's performance.

The City continues to rely heavily on tax revenues, which presented a mixed picture this fiscal year. Property tax revenues remained strong and exceeded expectations despite the continued high-interest-rate environment.

Conversely, Transient Occupancy Tax (TOT) declined slightly compared to the prior year, reflecting a general slowdown in this revenue category. Sales tax, the City's second-largest revenue source, increased modestly during the fiscal year but did not meet budgeted projections. This shortfall mirrors broader regional trends, including shifts in consumer spending behavior, inflationary pressures on discretionary purchases, and ongoing economic uncertainty. Cannabis-related tax revenues also declined year over year and fell short of budget expectations, continuing the downward trend observed in this category.

Additionally, stagnant gas tax revenues continue to raise concerns about the ability of this revenue source to keep pace with rising street maintenance and infrastructure improvement costs. This remains an important area for ongoing monitoring and long-term fiscal planning.

On the non-tax revenue side, investment earnings exceeded expectations, supported by a high-interest-rate environment that generated strong returns on the City's reserves. Revenue also increased from a variety of user fees for services such as building permits, plan checks, and fire inspections. However, it is important to note that these fees are charged on a cost-recovery basis, and most are still not set to fully cover the total cost of providing the service, as some are intentionally subsidized to maintain accessibility for residents and businesses. The increase in revenue reflects the implementation of a comprehensive fee study, which took effect in March 2024 to better align fees with the actual cost of service delivery.

City of Imperial Beach

Management's Discussion and Analysis For the Year Ended June 30, 2025

A key distinction from the prior fiscal year was the impact of the City's "right-sizing" efforts, which were implemented and emphasized during the FY2025 budget process. These initiatives focused on better aligning revenue growth with expenditure trends, addressing the prior year's imbalance when costs rose significantly faster than revenues. As a result, overall General Fund expenditures declined year over year.

The largest decline in General Fund expenditures occurred in the transfers category, reflecting reduced use of reserves for one-time projects. In FY2024, significant capital initiatives—such as the Community Room remodel, additional funding for the Sports Park facility remodel, and several major vehicle replacements—were funded through General Fund reserves. In FY2025, reserve funding was used more sparingly, resulting in lower transfers out of the General Fund and contributing to an overall decline in expenditures. Departmental budgets continued to increase, with the largest growth occurring in public safety, primarily driven by rapidly rising personnel costs across these critical departments.

The City's unfunded actuarial liability (UAL) pension payments continue to be a major budgeting and operational concern and remain a central focus of management. Required UAL payments have steadily increased, and higher assessed liabilities to CalPERS result in rising contributions that place significant pressure on the City's operating budget. To address these obligations, the City has begun contributing to a Section 115 Trust and is implementing other strategies to manage pension-related costs, making this a critical near- and long-term priority for management.

With the adoption of the FY2026 and FY2027 budgets, the City is also addressing other key challenges, including aging infrastructure, growing maintenance backlogs, rising labor and construction costs, and regulatory limits on revenue generation. Core revenue streams, such as sales tax and Transient Occupancy Tax, remain flat or show modest growth, while environmental and tourism-related concerns continue to affect the community. Management remains committed to strategically allocating resources to maintain essential services, complete key capital projects, and ensure long-term financial sustainability.

Federal COVID-era funding is winding down, and the City continues to plan for the funding and operation of new facilities. Inflationary pressures on personnel costs are expected to persist, requiring ongoing strategies to secure resources and manage costs.

The City continues to actively address environmental challenges, including transboundary pollution from Mexico into the Tijuana River and coastal tributaries, which impacts water and air quality, public health, and local economic activity. Addressing this issue requires collaboration across multiple jurisdictions and remains a high priority.

Amid ongoing economic uncertainties—including labor market fluctuations, supply chain disruptions, and regional economic trends—City management continues to monitor conditions closely to ensure resources are effectively managed and essential services maintained.

FY2026—FY2027 Biennial Budget document contains additional economic and budgetary details, and it is available on the City's website or through the Finance Department.

City of Imperial Beach

Management's Discussion and Analysis For the Year Ended June 30, 2025

REQUESTS FOR INFORMATION

This financial report provides a general overview of the City's financial position and results of operations for all those interested in the City's fiscal health. Questions regarding any of the information contained in this report or requests for additional financial information should be directed 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, 2025

	Governmental Activities	Business-Type Activities	Total
Assets:			
Pooled cash and investments	\$ 31,312,271	\$ 6,589,375	\$ 37,901,646
Restricted cash and investments	1,298,153	-	1,298,153
Receivables:			
Accounts	1,168,904	1,433	1,170,337
Accrued interest	129,417	-	129,417
Loan receivable	1,311,420	-	1,311,420
Lease receivable	139,975	-	139,975
Internal balances	1,066,189	(1,066,189)	-
Prepaid costs	22,802	-	22,802
Due from other governments	2,788,333	168,809	2,957,142
Capital assets, not being depreciated/amortized	22,801,966	1,814,316	24,616,282
Capital assets, net of depreciation	43,101,006	8,028,499	51,129,505
Total Assets	105,140,436	15,536,243	120,676,679
Deferred Outflows of Resources:			
Deferred pension related items	5,135,854	69,845	5,205,699
Deferred OPEB related items	850,117	19,301	869,418
Total Deferred Outflows of Resources	5,985,971	89,146	6,075,117
Liabilities:			
Accounts payable	3,815,087	73,385	3,888,472
Accrued liabilities	507,734	38,395	546,129
Unearned revenue	890,621	-	890,621
Deposits payable	1,118,155	-	1,118,155
Compensated absences due in one year	553,831	27,365	581,196
Claims payable due in one year	69,000	-	69,000
Long-term liabilities due in one year	335,060	-	335,060
Noncurrent liabilities:			
Compensated absences due in more than one year	978,023	65,335	1,043,358
Claims payable due in more than one year	217,000	-	217,000
Long-term liabilities due in more than one year	260,909	-	260,909
Net pension liability	13,062,185	169,620	13,231,805
Net OPEB liability	1,488,725	33,800	1,522,525
Total Liabilities	23,296,330	407,900	23,704,230
Deferred Inflows of Resources:			
Deferred pension related items	901,927	13,805	915,732
Deferred OPEB related items	845,321	19,192	864,513
Lease	132,238	-	132,238
Total Deferred Inflows of Resources	1,879,486	32,997	1,912,483
Net Position:			
Net Investment in capital assets	65,307,003	9,842,815	75,149,818
Restricted for:			
Community development	1,105,152	-	1,105,152
Public safety	79,222	-	79,222
Parks and recreation	892,406	-	892,406
Public works	2,916,591	-	2,916,591
Pension section 115 trust	1,298,153	-	1,298,153
Unrestricted	14,352,064	5,341,677	19,693,741
Total Net Position	\$ 85,950,591	\$ 15,184,492	\$ 101,135,083

The accompanying notes are an integral part of these financial statements.

City of Imperial Beach

**Statement of Activities
Year Ended June 30, 2025**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ 8,748,417	\$ 1,054,281	\$ 92,419	\$ -
Public safety	16,479,415	382,780	4,736,731	-
Community development	1,905,065	1,720,397	-	-
Parks, recreation and senior center	4,121,644	146,349	-	-
Public works	4,936,312	185,301	7,051,542	2,713,166
Interest on long-term liabilities	9,953	-	-	-
Total Governmental Activities	36,200,806	3,489,108	11,880,692	2,713,166
Business-Type Activities:				
Sewer	6,240,829	6,383,580	-	-
Total Business-Type Activities	6,240,829	6,383,580	-	-
Total Primary Government	\$ 42,441,635	\$ 9,872,688	\$ 11,880,692	\$ 2,713,166
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				

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Position Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (7,601,717)	\$ -	\$ (7,601,717)
(11,359,904)	-	(11,359,904)
(184,668)	-	(184,668)
(3,975,295)	-	(3,975,295)
5,013,697	-	5,013,697
(9,953)	-	(9,953)
(18,117,840)	-	(18,117,840)
-	142,751	142,751
-	142,751	142,751
(18,117,840)	142,751	(17,975,089)
11,321,207	-	11,321,207
1,555,066	-	1,555,066
5,373,855	-	5,373,855
2,834,907	-	2,834,907
309,089	-	309,089
41,904	-	41,904
1,949,821	338,395	2,288,216
1,109,002	-	1,109,002
24,494,851	338,395	24,833,246
6,377,011	481,146	6,858,157
79,573,580	14,703,346	94,276,926
\$ 85,950,591	\$ 15,184,492	\$ 101,135,083

The accompanying notes are an integral part of these financial statements.

City of Imperial Beach

Balance Sheet Governmental Funds June 30, 2025

	General	Special Revenue Fund Miscellaneous Grant	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Pooled cash and investments	\$ 21,260,070	\$ 439,008	\$ 4,781,695	\$ 26,480,773
Restricted cash and investments	1,298,153	-	-	1,298,153
Receivables:				
Accounts	1,033,588	369	133,534	1,167,491
Accrued interest	129,417	-	-	129,417
Loan receivable	1,311,420	-	-	1,311,420
Lease receivable	139,975	-	-	139,975
Prepaid costs	22,802	-	-	22,802
Due from other governments	1,032,708	1,536,775	198,157	2,767,640
Due from other funds	41,180	-	-	41,180
Total Assets	\$ 26,269,313	\$ 1,976,152	\$ 5,113,386	\$ 33,358,851
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 2,061,619	\$ 1,183,158	\$ 358,222	\$ 3,602,999
Accrued liabilities	444,840	-	-	444,840
Unearned revenues	452,714	437,907	-	890,621
Deposits payable	1,118,155	-	-	1,118,155
Due to other funds	-	-	41,180	41,180
Total Liabilities	4,077,328	1,621,065	399,402	6,097,795
Deferred Inflows of Resources:				
Unavailable revenues	-	630,461	-	630,461
Leases	132,238	-	-	132,238
Total Deferred Inflows of Resources	132,238	630,461	-	762,699
Fund Balances:				
Nonspendable:				
Prepaid costs	22,802	-	-	22,802
Restricted for:				
Community development projects	-	-	1,105,152	1,105,152
Public safety	-	-	79,222	79,222
Parks, recreation and senior center	-	-	892,406	892,406
Public works	-	-	2,916,591	2,916,591
Pension section 115 trust	1,298,153	-	-	1,298,153
Committed to:				
Economic uncertainty reserve	3,158,100	-	-	3,158,100
Public works	1,300,000	-	-	1,300,000
Assigned to:				
Public works strategic capital reserve	504,482	-	-	504,482
Public works projects	160,873	-	-	160,873
Community benefit	1,194,784	-	-	1,194,784
PEG	48,396	-	-	48,396
Unassigned (deficit)	14,372,157	(275,374)	(279,387)	13,817,396
Total Fund Balances	22,059,747	(275,374)	4,713,984	26,498,357
Total Liabilities and Fund Balances	\$ 26,269,313	\$ 1,976,152	\$ 5,113,386	\$ 33,358,851

The accompanying notes are an integral part of these financial statements.

City of Imperial Beach

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2025

Fund balances of governmental funds	\$ 26,498,357
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	64,304,226
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.	(1,395)
Compensated absences, long term liabilities, net pension liability, and net OPEB liability that have not been included in the governmental fund activity (excludes internal service funds):	
Compensated absences	(1,466,781)
Long-term liabilities	(229,744)
Net pension liability	(12,915,487)
Net OPEB liability	(1,459,493)
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	5,075,447
Deferred outflows of resources - OPEB related	833,424
Deferred inflows of resources - pension related	(889,987)
Deferred inflows of resources - OPEB related	(828,723)
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.	630,461
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>6,400,286</u>
Net Position of Governmental Activities	<u>\$ 85,950,591</u>

The accompanying notes are an integral part of these financial statements.

City of Imperial Beach

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2025

	General	Special	Nonmajor Governmental Funds	Total Governmental Funds
		Revenue Fund Miscellaneous Grant		
Revenues:				
Taxes	\$ 21,085,034	\$ -	\$ -	\$ 21,085,034
Licenses and permits	1,085,524	-	106,759	1,192,283
Intergovernmental	194,101	5,659,179	2,993,052	8,846,332
Charges for services	7,457,788	-	-	7,457,788
Use of money and property	1,295,469	40,244	409,159	1,744,872
Fines and forfeitures	270,728	-	-	270,728
Miscellaneous	1,048,688	2,425	-	1,051,113
Total Revenues	32,437,332	5,701,848	3,508,970	41,648,150
Expenditures:				
Current:				
General government	7,347,069	-	-	7,347,069
Public safety	15,389,013	-	115,441	15,504,454
Community development	761,326	1,125,418	18,321	1,905,065
Parks, recreation and senior center	3,299,784	78,882	-	3,378,666
Public works	2,689,794	416,862	-	3,106,656
Debt Service:				
Principal	51,413	-	334,736	386,149
Interest	781	-	10,356	11,137
Capital outlay	242,523	4,662,787	1,879,239	6,784,549
Total Expenditures	29,781,703	6,283,949	2,358,093	38,423,745
Excess (Deficiency of Revenues Over (Under) Expenditures	2,655,629	(582,101)	1,150,877	3,224,405
Other Financing Sources (Uses):				
Subscription acquisition	17,901	-	-	17,901
Proceeds of commercial paper	-	-	101,000	101,000
Transfers in	1,024,831	-	305,001	1,329,832
Transfer out	(715,696)	-	(1,141,539)	(1,857,235)
Total Other Financing Sources (Uses)	327,036	-	(735,538)	(408,502)
Net Change in Fund Balances	2,982,665	(582,101)	415,339	2,815,903
Fund Balances at Beginning of Year	19,077,082	306,727	4,298,645	23,682,454
Fund Balances at End of Year	\$ 22,059,747	\$ (275,374)	\$ 4,713,984	\$ 26,498,357

The accompanying notes are an integral part of these 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, 2025

Net change in fund balances - total governmental funds \$ 2,815,903

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	\$ 6,706,323	
Depreciation and amortization	<u>(2,820,521)</u>	3,885,802

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. (290,297)

The issuance of long term liabilities provides current financial resources to governmental funds, while the repayment of the principal 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	(118,901)	
Commercial paper	334,736	
Lease liability	<u>(67,079)</u>	148,756

Accrued interest for debt service. This is the net change in accrued interest for the current period. 19,077

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. (1,514,974)

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. (119,715)

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. 457,534

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. 974,925

Change in Net Position of Governmental Activities \$ 6,377,011

The accompanying notes are an integral part of these financial statements.

City of Imperial Beach

Statement of Net Position Proprietary Funds June 30, 2025

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Funds
	Sewer	
Assets:		
Current:		
Cash and investments	\$ 6,589,375	\$ 4,831,498
Receivables:		
Accounts	1,433	1,413
Due from other governments	168,809	20,693
Total Current Assets	6,759,617	4,853,604
Noncurrent:		
Capital assets, not being depreciated	1,814,316	1,009,858
Capital assets, net of depreciation	8,028,499	588,888
Total Noncurrent Assets	9,842,815	1,598,746
Total Assets	16,602,432	6,452,350
Deferred Outflows of Resources:		
Deferred pension related items	69,845	60,407
Deferred OPEB related items	19,301	16,693
Total Deferred Outflows of Resources	89,146	77,100
Liabilities:		
Current:		
Accounts payable	73,385	212,088
Accrued liabilities	38,395	61,499
Compensated absences due in one year	27,365	31,926
Claims and judgments due in one year	-	69,000
Long-term liabilities due in one year	-	124,320
Total Current Liabilities	139,145	498,833
Noncurrent:		
Compensated absences due in more than one year	65,335	33,147
Claims and judgments due in more than one year	-	217,000
Long-term liabilities	-	241,905
Net pension liability	169,620	146,698
Net OPEB liability	33,800	29,232
Total Noncurrent Liabilities	268,755	667,982
Total Liabilities	407,900	1,166,815
Deferred Inflows of Resources:		
Deferred pension related items	13,805	11,940
Deferred OPEB related items	19,192	16,598
Total Deferred Inflows of Resources	32,997	28,538
Net Position:		
Net investment in capital assets	9,842,815	1,232,521
Unrestricted	6,407,866	4,101,576
Total Net Position	\$ 16,250,681	\$ 5,334,097
Reconciliation of Net Position to the Statement of Net Position		
Net Position per Statement of Net Position - Proprietary Funds	\$ 16,250,681	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(1,056,694)	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds	(9,495)	
Net Position per Statement of Net Position	\$ 15,184,492	

The accompanying notes are an integral part of these financial statements.

City of Imperial Beach

Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds Year Ended June 30, 2025

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Funds
	Sewer	
Operating Revenues:		
Sales and service charges	\$ 6,383,580	\$ 2,722,000
Miscellaneous	-	165,945
Total Operating Revenues	6,383,580	2,887,945
Operating Expenses:		
Source of supply	5,035,926	-
Services and supplies	-	912,858
Claims expense	-	779,814
Personnel and administrative	843,821	824,751
Depreciation/amortization expense	351,587	220,790
Total Operating Expenses	6,231,334	2,738,213
Operating Income	152,246	149,732
Nonoperating Revenues (Expenses):		
Investment income	338,395	204,952
Miscellaneous revenue	-	101,236
Interest expense	-	(17,893)
Total Nonoperating Revenues (Expenses)	338,395	288,295
Income Before Transfers	490,641	438,027
Transfers in	-	527,403
Total Transfers	-	527,403
Change in Net Position	490,641	965,430
Net Position:		
Beginning of Year	15,760,040	4,368,667
End of Fiscal Year	\$ 16,250,681	\$ 5,334,097
Reconciliation of Changes in Net Position to the Statement of Activities:		
Changes in Net Position, per the Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	\$ 490,641	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	(9,495)	
Changes in Net Position of Business-Type Activities per Statement of Activities	\$ 481,146	

The accompanying notes are an integral part of these financial statements.

City of Imperial Beach

Statement of Cash Flows Proprietary Funds Year Ended June 30, 2025

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Funds
	Sewer	
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 6,335,895	\$ -
Cash received from/(paid to) interfund service provided	-	2,898,051
Cash paid to suppliers for goods and services	(5,011,022)	(1,724,489)
Cash paid to employees for services	(865,663)	(835,523)
Net Cash Provided by Operating Activities	459,210	338,039
Cash Flows from Non-Capital Financing Activities:		
Cost reimbursements	-	101,236
Transfers from other funds	-	527,403
Net Cash Provided by Non-Capital Financing Activities	-	628,639
Cash Flows from Capital and Related Financing Activities:		
Principal paid on subscription lease	-	(174,949)
Interest paid on subscription lease	-	(17,893)
Acquisition and construction of capital assets	(1,035,906)	(142,622)
Net Cash Used by Capital and Related Financing Activities	(1,035,906)	(335,464)
Cash Flows from Investing Activities:		
Investment income	338,395	204,952
Net Cash Provided by Investing Activities	338,395	204,952
Net Increase (Decrease) in Cash and Cash Equivalents	(238,301)	836,166
Cash and Cash Equivalents, Beginning of Year	6,827,676	3,995,332
Cash and Cash Equivalents, End of Year	\$ 6,589,375	\$ 4,831,498
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 152,246	\$ 149,732
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation/amortization	351,587	220,790
Miscellaneous change on subscription	-	(111,255)
(Increase) decrease in accounts receivable	(151)	(1,413)
(Increase) decrease in prepaid costs	-	23,198
(Increase) decrease in due from other governments	(47,534)	11,519
(Increase) decrease in deferred outflows - pension	95,652	82,726
(Increase) decrease in deferred outflows - OPEB	2,790	2,412
Increase (decrease) in accounts payable	24,904	140,240
Increase (decrease) in accrued liabilities	(1,758)	6,884
Increase (decrease) in compensated absences	30,656	26,228
Increase (decrease) in claims and judgments	-	(84,000)
Increase (decrease) in net pension liability	(130,922)	(113,230)
Increase (decrease) in net OPEB liability	1,938	1,676
Increase (decrease) in deferred inflows - pension	(18,242)	(15,776)
Increase (decrease) in deferred inflows - OPEB	(1,956)	(1,692)
Total Adjustments	306,964	188,307
Net Cash Provided by Operating Activities	\$ 459,210	\$ 338,039
Noncash Capital and Financing Activities		
Subscription liabilities	\$ -	\$ 53,372
Subscription acquisition	-	(53,372)

The accompanying notes are an integral part of these financial statements.

City of Imperial Beach

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025**

	Custodial Funds	Private- Purpose Trust Fund Successor Agency to the Former RDA
Assets:		
Pooled cash and investments	\$ 485,460	\$ 1,739,265
Restricted assets:		
Cash and investments with fiscal agents	-	1,844
Total Assets	485,460	1,741,109
Deferred Outflows of Resources:		
Deferred charges - loss on bond refunding	-	255,298
Total Deferred Outflows of Resources	-	255,298
Liabilities:		
Accounts payable	-	3,550
Accrued liabilities	-	5,379
Accrued interest	-	76,100
Due to Other Agencies	-	1,329,015
Long-term liabilities:		
Due in one year	-	985,000
Due in more than one year	-	24,976,319
Total Liabilities	-	27,375,363
Deferred Inflows of Resources:		
Deferred charges - gain on bond refunding	-	4,613
Total Deferred Inflows of Resources	-	4,613
Net Position (Deficit):		
Held in trust for other purposes	485,460	(25,383,569)
Total Net Position	\$ 485,460	\$ (25,383,569)

The accompanying notes are an integral part of these financial statements.

City of Imperial Beach

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2025**

	Custodial Funds	Private- Purpose Trust Fund Successor Agency to the Former RDA
Additions:		
Taxes	\$ -	\$ 1,854,610
Interest and change in fair value of investments	19,085	26,092
Total Additions	19,085	1,880,702
Deductions:		
Administrative expenses	-	121,622
Contractual services	-	45,866
Interest expense	-	701,998
Total Deductions	-	869,486
Changes in Net Position	19,085	1,011,216
Net Position (Deficit) at Beginning of Year	466,375	(26,394,785)
Net Position (Deficit) at End of Year	\$ 485,460	\$ (25,383,569)

The accompanying notes are an integral part of these 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 and 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)

a. Description of the Reporting Entity (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 appropriated 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)

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

d. Assets, Liabilities and Net Position or Equity (Continued)

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

Functional Classifications

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

- General Government includes legislative activities that have a primary objective of providing legal and policy guidelines for the City. Also included in this classification are those activities that provide management or support services across more than one functional area.
- Public Safety includes those activities that involve the protection of people and property.
- Community Development includes those activities which involve planning and economic development.
- 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 other infrastructure.
- 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.

Note 1: Summary of Significant Accounting Policies (Continued)

d. Assets, Liabilities and Net Position or Equity (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:

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

Right-to-use lease and subscription assets are amortized over the life of the associated contract.

Note 1: Summary of Significant Accounting Policies (Continued)

d. Assets, Liabilities and Net Position or Equity (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 four 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, and deferred lease related items, all of which are 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)

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

Generally accepted accounting principles 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, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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.

Generally accepted accounting principles 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, 2024
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025

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)

d. Assets, Liabilities and Net Position or Equity (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)

d. Assets, Liabilities and Net Position or Equity (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, 2025**

Note 1: Summary of Significant Accounting Policies (Continued)

d. Assets, Liabilities and Net Position or Equity (Continued)

New Accounting Pronouncements

During the fiscal year ended June 30, 2025, the City implemented the following accounting standard:

Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

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II. DETAILED NOTES ON ALL FUNDS

Note 2: Cash and Investments

As of June 30, 2025, cash and investments were reported in the accompanying financial statements as follows:

Cash and investments:	
Governmental activities:	
Cash and investments	\$ 31,312,271
Restricted cash and investments*	1,298,153
Business-Type activities	6,589,375
Fiduciary funds:	
Custodial funds	485,460
Private Purpose Trust	<u>1,739,265</u>
 Total Cash and Investments	 <u>41,424,524</u>
 Restricted cash with fiscal agents:	
Fiduciary Funds:	
Private Purpose Trust	<u>1,844</u>
 Total cash and investments with fiscal agents	 <u>1,844</u>
 Total cash and investments	 <u>\$ 41,426,368</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, 2025 consists of the following:

Deposits with financial institutions	\$ 379,507
Cash on hand	200
Investments	<u>41,046,661</u>
 Total cash and investments	 <u>\$ 41,426,368</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, 2025

Note 2: Cash and Investments (Continued)

Deposits

At June 30, 2025, the carrying amount of the City's deposits was \$379,507 and the bank balance was \$882,405. The \$502,898 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, 2025, the City's investment in Medium-Term Corporate Notes were all rated A or better by Moody's and S&P. The City's investments in supranational is limited to those rated "AA" or higher, as of June 30, 2025 these were rated AA or better. 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, 2025, 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, 2025, 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, 2025

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, 2025, 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, 2025, the City did have the following investments in a single issuer that exceeded 5% of the total investment value.

Issuer	Reported amount	Percent of portfolio
Federal Home Loan Mortgage Corporation	\$ 2,613,582	6.37%

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, 2025, the City had the following investments and maturities:

Investments	Investment Maturities (in Years)			Total
	1 year or less	1 to 3 years	3 to 5 years	
State Pooled Investment (LAIF)	\$ 15,226,042	\$ -	\$ -	\$ 15,226,042
Federal Farm Credit Bank	999,687	-	763,550	1,763,237
Federal Home Loan Bank	-	1,411,475	509,830	1,921,305
Federal Home Loan Mortgage Corporation	693,096	954,383	966,103	2,613,582
Federal National Mortgage Association	248,468	-	-	248,468
U.S. Treasury Notes	2,081,473	4,328,810	2,674,724	9,085,007
Medium Term Corporate Notes	1,283,253	4,680,703	2,195,056	8,159,012
Supranational	150,535	479,849	-	630,384
Money Market	101,471	-	-	101,471
Pension Section 115 Trust	1,298,153	-	-	1,298,153
Total Investments	<u>\$ 22,082,178</u>	<u>\$ 11,855,220</u>	<u>\$ 7,109,263</u>	<u>\$ 41,046,661</u>

City of Imperial Beach

Notes to Financial Statements June 30, 2025

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, 2025:

Cash & Investments	Total	Fair Value Measurement Level		
		1	2	3
Federal Farm Credit Bank	\$ 1,763,237	\$ -	\$ 1,763,237	\$ -
Federal Home Loan Bank	1,921,305	-	1,921,305	-
Federal Home Loan Mortgage Corporation	2,613,582	-	2,613,582	-
Federal National Mortgage Association	248,468	-	248,468	-
U.S. Treasury Notes	9,085,007	-	9,085,007	-
Medium Term Corporate Notes	8,159,012	-	8,159,012	-
Supranational	630,384	-	630,384	-
Total	24,420,995	\$ -	\$24,420,995	\$ -
Investments not subject to fair value				
State Pooled Investment (LAIF)	15,226,042			
Money Market	101,471			
Pension Section 115 Trust	1,298,153			
Total Investments	\$ 41,046,661			

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, 2025

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
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	5,609,507	6,431,548	(4,333,948)	7,707,107
	<u>20,704,366</u>	<u>6,431,548</u>	<u>(4,333,948)</u>	<u>22,801,966</u>
Total Capital Assets, Not Being Depreciated				
Capital assets, being depreciated/amortized:				
Structures and improvements	14,988,329	2,534,120	(43,588)	17,478,861
Equipment and vehicles	7,300,717	384,978	(39,202)	7,646,493
Infrastructure	51,096,722	1,821,811	-	52,918,533
Right-to-use equipment lease	147,365	-	-	147,365
Right-to-use subscriptions	233,781	71,273	(53,019)	252,035
	<u>73,766,914</u>	<u>4,812,182</u>	<u>(135,809)</u>	<u>78,443,287</u>
Total Capital Assets, Being Depreciated/Amortized				
Less accumulated depreciation/amortized:				
Structures and improvements	(8,984,195)	(843,083)	42,353	(9,784,925)
Equipment and vehicles	(5,185,704)	(526,597)	35,859	(5,676,442)
Infrastructure	(18,043,741)	(1,543,092)	-	(19,586,833)
Right-to-use equipment lease	(94,616)	(31,758)	-	(126,374)
Right-to-use subscriptions	(121,058)	(96,781)	50,132	(167,707)
	<u>(32,429,314)</u>	<u>(3,041,311)</u>	<u>128,344</u>	<u>(35,342,281)</u>
Total Accumulated Depreciation/Amortization				
Total Capital Assets, Being Depreciated, Net				
	<u>41,337,600</u>	<u>1,770,871</u>	<u>(7,465)</u>	<u>43,101,006</u>
Governmental Activities Capital Assets, Net				
	<u>\$ 62,041,966</u>	<u>\$ 8,202,419</u>	<u>\$ (4,341,413)</u>	<u>\$ 65,902,972</u>

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

Governmental Activities:	
General government	\$ 526,047
Public safety	172,117
Public works	1,633,326
Parks, recreation and senior center	489,031
Internal service funds	220,790
	<u>220,790</u>
Total Governmental Activities	<u>\$ 3,041,311</u>

City of Imperial Beach

Notes to Financial Statements June 30, 2025

Note 3: Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Construction-in-progress	\$ 908,410	\$ 905,906	\$ -	\$ 1,814,316
Total Capital Assets, Not Being Depreciated	908,410	905,906	-	1,814,316
Capital assets, being depreciated/amortized:				
Sewer lines and pump stations	14,807,442	100,722	-	14,908,164
Structures and improvements	-	6,189	-	6,189
Right-to-use subscriptions	-	23,089	-	23,089
Total Capital Assets, Being Depreciated/Amortized	14,807,442	130,000	-	14,937,442
Less accumulated depreciation/amortized:				
Sewer lines and pump stations	(6,557,356)	(339,423)	-	(6,896,779)
Structures and improvements	-	(619)	-	(619)
Right-to-use subscriptions	-	(11,545)	-	(11,545)
Total Accumulated Depreciation/Amortization	(6,557,356)	(351,587)	-	(6,908,943)
Total Capital Assets, Being Depreciated/Amortized, Net	8,250,086	(221,587)	-	8,028,499
Business-Type Activities Capital Assets, Net	<u>\$ 9,158,496</u>	<u>\$ 684,319</u>	<u>\$ -</u>	<u>\$ 9,842,815</u>

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

Business-Type Activities:	
Sewer	<u>\$ 351,587</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, 2025, amounts to \$348,017 and is offset by allowance. The outstanding balance at June 30, 2025, is \$977,625, 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, 2025, amounts to \$275,806 and is offset by allowance. The loan had not been fully disbursed at June 30, 2025. The outstanding balance at June 30, 2025, is \$762,261, 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, 2025, amounts to \$909,314 and is offset by allowance. The outstanding balance at June 30, 2025, is \$2,854,314, 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, 2025, amounts to \$1,252,773 and is offset by allowance. The outstanding balance at June 30, 2025, is \$5,352,773, 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, 2025, amounts to \$175,035 and is offset by allowance. The outstanding balance at June 30, 2025, is \$1,008,535, including accrued interest.

Total loans receivable at June 30, 2025, amounts to \$10,955,508, 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.

Loan receivable from Successor Agency

During fiscal year 2025, there were some discrepancies noted in the reporting to the Department of Finance for the Successor Agency. This resulted in a reduction to the amount of RPTTF received in the fiscal year. In order for the Successor Agency to meet its debt service obligations, a loan receivable was created of \$1,311,420. The Department of Finance has approved the reimbursement of funds in the fiscal year 2026 distribution.

City of Imperial Beach

**Notes to Financial Statements
June 30, 2025**

Note 5: Interfund Receivable, Payable, and Transfers

The composition of interfund balances as of June 30, 2025 is as follows:

Due To/Due from Other Funds

Funds	Due to other funds Nonmajor Governmental Funds	Total
Due from Other Funds:		
General Fund	\$ 41,180	\$ 41,180
 Total	 <u>\$ 41,180</u>	 <u>\$ 41,180</u>

The General Fund is owed \$41,180 from other governmental funds for temporary negative cash and investments.

Interfund Transfers

Transfers Out	Transfer In			Total
	General Fund	Nonmajor Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 305,001	\$ 410,695	\$ 715,696
Nonmajor Governmental Funds	1,024,831	-	116,708	1,141,539
 Total	 <u>\$ 1,024,831</u>	 <u>\$ 305,001</u>	 <u>\$ 527,403</u>	 <u>\$ 1,857,235</u>

Transfers into the General Fund totaling \$1,024,831 were made from the Gas Tax Fund and Prop A Tax Fund to support street maintenance and transportation costs.

Transfers out of the General Fund to the RMRA fund and the Capital Projects Fund totaling \$305,001 consisted of funding for various facilities capital improvements projects.

Transfers of \$410,695 out of the General Fund and \$116,708 out of the CDBG Grant Fund were 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 \$5,135,854 and \$69,845, 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 \$850,117 and \$19,301, 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 \$901,927 and \$13,805, 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 \$845,321 and \$19,192, respectively. Lastly, the inflows from lease related items of \$132,238 in Governmental activities. The City has one item that is reportable on the Governmental Fund Balance Sheet: this item relates to unavailable revenue of \$630,461.

Note 7: Unearned Revenue

As of June 30, 2025, the General Fund unearned revenue consists of \$406,280 relating to prepayment of improvements by developers and \$46,434 of miscellaneous items such as unearned donations grant/ grants and prepaid rent.

Miscellaneous Grants Fund unearned revenue consists of \$437,907 as of June 30, 2025 relating to the American Rescue Plan Act of 2021 (ARPA) and other miscellaneous grants.

City of Imperial Beach

Notes to Financial Statements June 30, 2025

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, 2025:

	Beginning Balance	Net Change	Ending Balance	Due Within One Year
Compensated absences	\$ 1,215,329	\$ 316,525	\$ 1,531,854	\$ 553,831

b. Compensated Absences - Business-Type Activities

The following is a summary of changes in Proprietary Fund compensated absences for the year ended June 30, 2025:

	Beginning Balance	Increases	Ending Balance	Due Within One Year
Compensated absences	\$ 62,044	\$ 30,656	\$ 92,700	\$ 27,365

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, 2025:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities					
Long-term liabilities:					
Direct borrowings					
Transnet Commercial Paper	\$ 407,162	\$ 101,000	\$ (334,736)	\$ 173,426	\$ 173,426
Financed equipment	414,419	-	(96,235)	318,184	100,990
Equipment lease liability	54,895	-	(32,790)	22,105	22,105
Subscription lease liability	101,081	78,510	(97,337)	82,254	38,539
Total long-term liabilities	<u>\$ 977,557</u>	<u>\$ 179,510</u>	<u>\$ (561,098)</u>	<u>\$ 595,969</u>	<u>\$ 335,060</u>

City of Imperial Beach

Notes to Financial Statements June 30, 2025

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, \$148,000 in April 2023, and \$196,000 in April of 2024 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, 2025, the City has drawn a total on \$1,900,000 on these loan agreements for SR 75 Signal project. The principal remaining on the loan is \$173,426 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
2026	\$ 173,426
Totals	\$ 173,426

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, 2025 were as follows:

Year Ending June 30,	Direct borrowing	
	Principal	Interest
2026	\$ 100,990	\$ 15,718
2027	105,979	10,729
2028	111,215	5,494
Totals	\$ 318,184	\$ 31,941

City of Imperial Beach

Notes to Financial Statements June 30, 2025

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, 2025, the value of the lease liability is \$22,105. The City is required to make monthly fixed payments of \$2,777. The lease has an interest rate of 1.340%. The value of the right to use asset as of June 30, 2025 of \$147,365 with accumulated amortization of \$126,374 is included with right-to-use equipment lease in capital assets 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
2026	\$ 22,105	\$ 111
Totals	\$ 22,105	\$ 111

Subscription Liability

As of June 30, 2025, the City had 11 active subscriptions. The subscriptions have payments that range from \$2,949 to \$41,174 and interest rates that range from 0.5770% to 3.2170%. As of June 30, 2025, the total combined value of the subscription liability is \$82,254. The combined value of the right to use assets, as of June 30, 2025 of \$252,035 with accumulated amortization of \$167,707 is included with the right-to-use subscription in the capital assets note. The Sewer fund prepaid a two year subscription, therefore there is no subscription liability as of June 30, 2025 but the right to use assets, as of June 30, 2025 of \$23,089 with accumulated amortization of \$11,545 is included with the right-to-use subscription in the capital assets note.

Year Ending June 30,	Subscription liability	
	Principal	Interest
2026	\$ 38,539	\$ 2,227
2027	36,691	1,237
2028	3,371	214
2029	3,653	111
Totals	\$ 82,254	\$ 3,789

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.

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.

City of Imperial Beach

Notes to Financial Statements June 30, 2025

Note 10: Pensions (Continued)

The Plan's provisions and benefits in effect at June 30, 2025 are summarized as follows:

	Miscellaneous Plan		
	Classic	Second Tier On or after	PEPRA
Hire date	Prior to March 9, 2012	March 9, 2012 but prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 and up	50 and up	52 and up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.092% to 2.418%	1.0% to 2.5%
Required employer contribution rates	16.020%	10.150%	7.870%
	Safety Plan		
	Lifeguard	Lifeguard Second Tier On or after	Other Safety PEPRA
Hire date	Prior to March 9, 2012	March 9, 2012 but prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 50	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 and up	50 and up	50 and up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%	2.0% to 2.7%
Required employer contribution rates	21.300%	20.090%	13.760%
	Fire	Fire PEPRA	
Hire date	Prior to March 9, 2012	On or after January 1, 2013	
Benefit formula	3.0% @ 50	2.7% @ 57	
Benefit vesting schedule	5 years service	5 years service	
Benefit payments	monthly for life	monthly for life	
Retirement age	50 and up	50 and up	
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%	
Required employer contribution rates	27.320%	13.760%	

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, 2025 were \$2,053,190.

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, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

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Note 10: Pensions (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The collective total pension liability for the June 30, 2024 measurement period was determined by an actuarial valuation as of June 30, 2023, with update procedures used to roll forward the total pension liability to June 30, 2024. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
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 ⁽¹⁾	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.

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study 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, 2025

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^{1 2}</u>
Global equity - cap-weighted	30.00%	4.54%
Global equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021-22 Asset Liability Management study.

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

There were no subsequent events that would materially affect the results presented in this disclosure.

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. 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: 6/30/2023 (VD)	\$ 68,309,084	\$ 54,771,148	\$ 13,537,936
Balance at: 6/30/2024 (MD)	71,945,348	58,713,543	13,231,805
Net Changes during 2023-24	<u>\$ 3,636,264</u>	<u>\$ 3,942,395</u>	<u>\$ (306,131)</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. The City's proportionate share of the net pension liability for the total Plan as of the June 30, 2023 and 2024 measurement dates was as follows:

Proportionate Share - June 30, 2023	0.10852%
Proportionate Share - June 30, 2024	<u>0.10911%</u>
Change - Increase (Decrease)	<u><u>0.00059%</u></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	\$ 22,987,404	\$ 13,231,805	\$ 5,222,094

Amortization of Deferred Outflows and Deferred Inflows of Resources

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

City of Imperial Beach

Notes to Financial Statements June 30, 2025

Note 10: Pensions (Continued)

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

As of the start of the measurement period (July 1, 2023), the City's net pension liability was \$13,537,936. For the measurement period ending June 30, 2024 (the measurement date), the City incurred a pension expense of \$3,468,372.

As of June 30, 2025, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 334,134	\$ -
Difference between expected and actual experience	1,116,892	(40,613)
Difference between projected and actual investment earnings	710,113	-
Differences between employer's Contributions and Proportionate share of contributions	-	(875,119)
Change in employer's proportion Pension contributions subsequent to measurement date	991,370	-
	<u>2,053,190</u>	<u>-</u>
Total	<u>\$ 5,205,699</u>	<u>\$ (915,732)</u>

The amounts above are net of outflows and inflows recognized in the 2023-24 measurement period expense. Contributions subsequent to the measurement date of \$2,053,190 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:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2026	\$ 1,016,271
2027	1,490,805
2028	(27,095)
2029	(243,204)
2030	-
Thereafter	-

City of Imperial Beach

**Notes to Financial Statements
June 30, 2025**

Note 10: Pensions (Continued)

Payable to the Pension Plan

At June 30, 2025, 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	98.72%
Business-Type Activities	1.28%

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

	<u>Percentage Allocation</u>
General Government	24.48%
Public Safety	51.57%
Parks, Recreation and Senior Center	10.29%
Public Works	13.66%

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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 \$157 per month for 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. In fiscal year 2023, the City established an irrevocable trust with the Public Agency Retirement Services (PARS).

Employees Covered

As of the June 30, 2025 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees benefit payments	83
Inactive employees entitled to but not yet receiving benefit payments	-
Participating active employees	17
Total	<u>100</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, 2025, the City's contributions were \$0 in payments to the PARS trust, a contribution of \$42,133 was made to pay current year premiums for retirees, and the estimated implied subsidy of \$39,100, resulting in total contributions of \$81,233.

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Note 11: Other Post-Employment Benefits (Continued)

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2025 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2024 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	2021 CalPERS Mortality Rates
Pre-Retirement Turnover	2021 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 expected rate of return for the PARS Balanced portfolio is 5.95%.

Change of Assumptions

No changes in assumptions for the measurement date as of June 30, 2025.

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City of Imperial Beach

**Notes to Financial Statements
June 30, 2025**

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, 2023 (Valuation Date: June 30, 2024)	<u>\$ 1,792,164</u>	<u>\$ 356,956</u>	<u>\$ 1,435,208</u>
Changes recognized for the measurement period:			
Service cost	97,286	-	97,286
Interest	107,111	38,032	69,079
Employer contributions	-	81,233	(81,233)
Changes of assumptions	-	-	-
Benefit payments	(81,233)	(81,233)	-
Experience (gain)/losses	-	-	-
Administrative expenses	-	(2,185)	2,185
Net changes	<u>123,164</u>	<u>35,847</u>	<u>87,317</u>
Balance at June 30, 2024 (Fiscal year ended June 30, 2025)	<u>\$ 1,915,328</u>	<u>\$ 392,803</u>	<u>\$ 1,522,525</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, 2025:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability	\$ 1,746,915	\$ 1,522,525	\$ 1,332,868

City of Imperial Beach

**Notes to Financial Statements
June 30, 2025**

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, 2025:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 1,264,420	\$ 1,522,525	\$ 1,843,265

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

As of the start of the measurement period (July 1, 2024), the City's net OPEB liability was \$1,435,208. For the fiscal year ended June 30, 2025, the City recognized OPEB expense of \$206,116. As of fiscal year ended June 30, 2025, 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	\$ 88,721	\$ 148,372
Changes of assumptions	780,697	681,557
Differences between projected and actual return on assets	-	34,584
Total	<u>\$ 869,418</u>	<u>\$ 864,513</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>
2026	\$ 20,708
2027	20,711
2028	24,099
2029	28,874
2030	32,244
Thereafter	(121,731)

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 \$286,000 reported at June 30, 2025, 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, 2025

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>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
Claims outstanding at beginning of year	\$ 700,000	\$ 828,000	\$ 370,000
Claims and changes in estimates	141,247	(93,747)	(80,182)
Claim payments	<u>(13,247)</u>	<u>(364,253)</u>	<u>(3,818)</u>
Claims outstanding at end of year	<u>\$ 828,000</u>	<u>\$ 370,000</u>	<u>\$ 286,000</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 needed 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. 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. Ultimately, Petitioner’s Motion for Attorneys’ fees was denied by the Court.

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	\$ 1,739,265
Cash and investments with fiscal agent	<u>1,844</u>
	<u>\$ 1,741,109</u>

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City of Imperial Beach

**Notes to Financial Statements
June 30, 2025**

**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, 2025, 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	2,194,871	-	(140,009)	2,054,862	-
2022 Tax Allocation Bonds	10,005,000	-	(955,000)	9,050,000	985,000
2022 Tax Allocation Bonds Premium	1,216,681	-	(140,224)	1,076,457	-
Total Public Offerings	<u>\$ 27,196,552</u>	<u>\$ -</u>	<u>\$ (1,235,233)</u>	<u>\$ 25,961,319</u>	<u>\$ 985,000</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, 2025, excluding unamortized original issue premium of \$2,054,862 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.

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City of Imperial Beach

Notes to Financial Statements June 30, 2025

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

b. Long-Term Debt

The following is a schedule by years, of future debt service payments as of June 30, 2025:

Year Ending June 30,	2020 Tax Allocation Refunding Bonds	
	Principal	Interest
2026	\$ -	\$ 551,200
2027	-	551,200
2028	-	551,200
2029	-	551,200
2030	-	551,200
2031-2035	3,135,000	2,694,600
2036-2040	10,645,000	1,342,200
Totals	\$ 13,780,000	\$ 6,792,800

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, 2025, excluding unamortized original issue premium of \$1,076,457 is \$9,050,000.

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, 2025

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

b. Long-Term Debt

The following is a schedule by years, of future debt service payments as of June 30, 2025, follows:

Year Ending June 30,	2022 Tax Allocation Refunding Bonds	
	Principal	Interest
2026	\$ 985,000	\$ 362,000
2027	1,015,000	322,600
2028	1,065,000	282,000
2029	1,105,000	239,400
2030	1,150,000	195,200
2031-2033	3,730,000	302,000
Totals	\$ 9,050,000	\$ 1,703,200

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.

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, 2025

Note 15: Restricted Components of Net Position

The restricted component of net position is made up of 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 2025, the City did not have any components of net position restricted by enabling legislation.

The restricted component of net position at June 30, 2025, for governmental activities is as follows:

Restricted for Community Development Projects:		
Housing Authority		\$ 1,105,152
Total		
Restricted for Public Works:		
Gas Tax	\$ 29,171	
RMRA	2,142,606	
Capital Projects	744,814	
Total		2,916,591
Restricted for Public Safety:		
Supplemental Law Enforcement		79,222
Restricted for Parks, Recreation and Senior Center:		
Parks Maintenance		892,406
Total		
Restricted for Pension section 115 trust:		
General		<u>1,298,153</u>
Total Restricted Component of Net Position - Government Activities		<u>\$ 6,291,524</u>

Note 16: Tax Abatement

The City entered into an agreement with Sudberry-Palm Avenue LLC (Developer) 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.

For the year ended of June 30, 2025, the City abated TOT taxes totaling \$254,018 under this agreement.

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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 ¹	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
6/30/2015	0.11650%	\$ 7,997,144	\$ 4,287,307	186.53%	78.40%
6/30/2016	0.12284%	10,629,198	4,984,408	213.25%	74.06%
6/30/2017	0.12522%	12,418,086	5,217,228	238.02%	73.31%
6/30/2018	0.12807%	12,341,076	5,241,053	235.47%	75.26%
6/30/2019	0.08029%	8,227,242	5,670,863	145.08%	75.26%
6/30/2020	0.08736%	9,504,977	5,774,101	164.61%	75.10%
6/30/2021	0.04211%	2,277,672	5,971,175	38.14%	88.29%
6/30/2022	0.10509%	12,138,749	6,625,249	183.22%	76.68%
6/30/2023	0.10852%	13,537,936	7,370,969	183.67%	76.21%
6/30/2024	0.10911%	13,231,805	8,128,064	162.79%	78.08%

¹ 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.

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City of Imperial Beach

Schedule of Plan Contributions As of June 30, for the Last Ten Fiscal Years

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
6/30/2016	\$ 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%
6/30/2024	1,769,672	(1,769,672)	-	8,128,064	21.77%
6/30/2025	2,053,190	(2,053,190)	-	8,350,014	24.59%

Notes to Schedule:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors. Additionally, the figures above do not include any liability impact that occurred after the June 30, 2023, valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 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. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

City of Imperial Beach

Schedule of Changes in the Net OPEB Liability and Related Ratios As of June 30, 2025 for the Last Ten Fiscal Years ⁽¹⁾

Measurement Date (June 30) Report Date (June 30)	2024 2025	2023 2024	2022 2023	2021 2022	2020 2021	2019 2020
Total OPEB Liability						
Service cost	\$ 97,286	\$ 83,991	\$ 132,985	\$ 141,432	\$ 136,440	\$ 42,506
Interest on TOL / Return on FNP	107,111	96,732	72,880	52,597	51,105	31,887
Differences between expected and actual experience	-	(103,280)	-	(90,018)	-	170,621
Changes in assumptions	-	166,089	(546,410)	(400,373)	13,465	1,180,019
Benefit payments	(81,233)	(70,226)	(65,703)	(85,701)	(97,152)	(23,042)
Net change in total OPEB liability	<u>123,164</u>	<u>173,306</u>	<u>(406,248)</u>	<u>(382,063)</u>	<u>103,858</u>	<u>1,401,991</u>
Total OPEB liability - beginning	<u>1,792,164</u>	<u>1,618,858</u>	<u>2,025,106</u>	<u>2,407,169</u>	<u>2,303,311</u>	<u>901,320</u>
Total OPEB liability - ending (a)	<u>\$ 1,915,328</u>	<u>\$ 1,792,164</u>	<u>\$ 1,618,858</u>	<u>\$ 2,025,106</u>	<u>\$ 2,407,169</u>	<u>\$ 2,303,311</u>
Plan Fiduciary Net Position						
Interest on TOL / Return on FNP	38,032	42,639	16,932	-	-	-
Contribution - employer	81,233	70,226	365,703	-	-	-
Benefit payments	(81,233)	(70,226)	(65,703)	-	-	-
Administrative expense	(2,185)	(1,900)	(715)	-	-	-
Net change in Plan Fiduciary Net Position	<u>35,847</u>	<u>40,739</u>	<u>316,217</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - beginning	<u>356,956</u>	<u>316,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - ending (b)	<u>392,803</u>	<u>356,956</u>	<u>316,217</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB Liability - ending (a) - (b)	<u>\$ 1,522,525</u>	<u>\$ 1,435,208</u>	<u>\$ 1,302,641</u>	<u>\$ 2,025,106</u>	<u>\$ 2,407,169</u>	<u>\$ 2,303,311</u>
Plan fiduciary net position as a percentage of the total OPEB liability	20.51%	19.92%	19.53%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 8,504,114	\$ 8,285,467	\$ 7,502,746	\$ 6,625,249	\$ 6,059,385	\$ 5,878,059
Net OPEB liability as a percentage of covered-employee payroll	17.90%	17.32%	17.36%	30.57%	39.73%	39.18%

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.

⁽¹⁾ 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.

<u>2018</u> <u>2019</u>	<u>2017</u> <u>2018</u>
\$ 37,920	\$ 36,905
28,462	28,779
-	-
41,088	-
<u>(770)</u>	<u>(20,915)</u>
106,700	44,769
794,620	749,851
<u>\$ 901,320</u>	<u>\$ 794,620</u>
-	-
-	-
-	-
<u>-</u>	<u>-</u>
-	-
<u>-</u>	<u>-</u>
<u>\$ 901,320</u>	<u>\$ 794,620</u>
0.00%	0.00%
\$5,484,385	\$5,388,899
16.43%	14.75%

City of Imperial Beach

Schedule of Plan Contributions As of June 30, 2025 for the Last Ten Fiscal Years ⁽¹⁾

SCHEDULE OF CONTRIBUTIONS			
Fiscal Year Ended June 30,	2025	2024	2023
Contractually Determined Contributions (CDC)	\$ 32,130	\$ 32,130	\$ 29,520
Contributions in relation to the CDC	<u>(42,133)</u>	<u>(31,127)</u>	<u>(329,520)</u>
Contribution deficiency/(excess)	<u>\$ (10,003)</u>	<u>\$ 1,003</u>	<u>\$ (300,000)</u>
Covered-employee payroll	\$ 8,504,114	\$ 8,285,467	\$ 7,502,746
Contribution as a percentage of covered-employee payroll	0.50%	0.38%	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, therefore information prior to fiscal year ended June 30, 2023 is not presented.

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

Valuation date used	<u>6/30/2024</u>
Actuarial cost method	Entry Age Normal
Amortization method	Level % of pay
Amortization period	12.3 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	2021 CalPERS Study

¹ 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, 2025

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 19,077,082	\$ 19,077,082	\$ 19,077,082	\$ -
Resources (Inflows):				
Taxes	20,196,700	21,092,200	21,085,034	(7,166)
Licenses and permits	712,400	1,092,400	1,085,524	(6,876)
Intergovernmental	117,700	145,931	194,101	48,170
Charges for services	6,877,900	7,445,800	7,457,788	11,988
Use of money and property	396,300	344,198	1,295,469	951,271
Fines and forfeitures	223,000	226,400	270,728	44,328
Miscellaneous	982,300	878,200	1,048,688	170,488
Subscription acquisition	-	17,901	17,901	-
Transfers in	1,051,000	1,021,695	1,024,831	3,136
Amounts Available for Appropriations	49,634,382	51,341,807	52,557,146	1,215,339
Charges to Appropriation (Outflow):				
General government				
Mayor/City Council	338,500	324,930	334,004	(9,074)
City Clerk's Office	586,000	515,900	491,128	24,772
City Manager	717,300	743,544	733,406	10,138
Human Resources	403,200	436,300	465,040	(28,740)
Administrative Services	1,067,100	1,186,000	1,181,729	4,271
City Attorney	231,000	258,800	258,754	46
Facilities Maintenance	679,500	650,500	625,960	24,540
Non-Departmental	3,416,600	3,252,300	3,257,048	(4,748)
Public safety				
Law Enforcement Contract	8,906,900	8,640,100	8,635,728	4,372
Fire Protection	3,605,400	3,840,100	3,821,048	19,052
Ocean/Beach Safety	1,757,500	1,681,700	1,681,485	215
Building and Housing Inspection	683,200	761,700	751,321	10,379
Animal Control	299,500	299,500	303,331	(3,831)
Code Enforcement	187,100	195,200	196,100	(900)
Community Development	658,600	750,675	761,326	(10,651)
Parks, recreation and senior center				
Recreation	1,327,300	845,806	811,783	34,023
Park Maintenance	822,600	790,370	761,837	28,533
Senior Services	85,700	304,300	297,756	6,544
Tideland Maintenance	1,103,900	1,144,525	1,129,544	14,981
Community and neighborhood services	426,300	329,600	298,864	30,736
Public works				
Street Maintenance	1,277,000	1,636,575	1,634,972	1,603
Administration	531,400	553,300	555,097	(1,797)
Solid Waste Management	115,700	113,000	113,311	(311)
Storm Water	418,000	393,800	386,414	7,386
Debt Service				
Principal	-	51,413	51,413	-
Interest	-	781	781	-
Capital outlay	328,000	335,043	242,523	92,520
Transfers out	29,100	715,696	715,696	-
Total Charges to Appropriations	30,002,400	30,751,458	30,497,399	254,059
Budgetary Fund Balance, June 30	\$ 19,631,982	\$ 20,590,349	\$ 22,059,747	\$ 1,469,398

See Notes to Required Supplementary Information

City of Imperial Beach

**Budgetary Comparison Schedule
Miscellaneous Grants Fund
Year Ended June 30, 2025**

	<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	\$ 306,727	\$ 306,727	\$ 306,727	\$ -
Resources (Inflows):				
Intergovernmental	20,000	2,514,514	5,659,179	3,144,665
Use of money and property	-	-	40,244	40,244
Miscellaneous	-	-	2,425	2,425
Amounts Available for Appropriations	326,727	2,821,241	6,008,575	3,187,334
Charges to Appropriation (Outflows):				
Public safety	20,000	20,000	-	20,000
Community development	-	3,708,687	1,125,418	2,583,269
Parks and recreation	-	56,633	78,882	(22,249)
Public works	-	652,715	416,862	235,853
Capital outlay	-	5,905,274	4,662,787	1,242,487
Total Charges to Appropriations	20,000	10,343,309	6,283,949	4,059,360
Budgetary Fund Balance, June 30	\$ 306,727	\$ (7,522,068)	\$ (275,374)	\$ 7,246,694

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, 2025, 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, 2025

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.

a. Excess of Expenditures Over Appropriations

Excess expenditures over appropriations were as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
General government			
Mayor/City Council	\$ 334,004	\$ 324,930	\$ (9,074)
Human Resources	465,040	436,300	(28,740)
Non-Departmental	3,257,048	3,252,300	(4,748)
Public safety			
Animal Control	303,331	299,500	(3,831)
Code Enforcement	196,100	195,200	(900)
Community Development	761,326	750,675	(10,651)
Public works			
Administration	555,097	553,300	(1,797)
Solid Waste Management	113,311	113,000	(311)
Miscellaneous Grant Fund:			
Parks and recreation	78,882	56,633	(22,249)
Gas Tax Fund:			
Transfers out	757,831	757,800	(31)
CDBG Grant Fund:			
Transfers out	116,708	116,700	(8)
Housing Authority Fund:			
Community Development	18,321	18,300	(21)

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, 2025**

	Special Revenue Funds			Supplemental Law Enforcement
	Gas Tax	Prop A Tax	CDBG Grant	
Assets:				
Pooled cash and investments	\$ -	\$ 33,019	\$ -	\$ 95,857
Receivables:				
Accounts	-	-	-	-
Due from other governments	70,351	-	-	-
Total Assets	\$ 70,351	\$ 33,019	\$ -	\$ 95,857
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 312,406	\$ -	\$ 16,635
Due to other funds	41,180	-	-	-
Total Liabilities	41,180	312,406	-	16,635
Fund Balances (Deficit):				
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	79,222
Parks, recreation and senior center	-	-	-	-
Public works	29,171	-	-	-
Unassigned	-	(279,387)	-	-
Total Fund Balance (Deficit)	29,171	(279,387)	-	79,222
Total Liabilities, Deferred Inflows of Resources and Fund Balance (Deficit)	\$ 70,351	\$ 33,019	\$ -	\$ 95,857

City of Imperial Beach

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025**

(Continued)

	Special Revenue Funds		Capital Projects Funds	
	RMRA	Housing Authority	Parks Maintenance CIP	Capital Projects
Assets:				
Pooled cash and investments	\$ 2,021,631	\$ 971,618	\$ 899,804	\$ 759,766
Receivables:				
Accounts	-	133,534	-	-
Due from other governments	127,806	-	-	-
Total Assets	<u>\$ 2,149,437</u>	<u>\$ 1,105,152</u>	<u>\$ 899,804</u>	<u>\$ 759,766</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 6,831	\$ -	\$ 7,398	\$ 14,952
Due to other funds	-	-	-	-
Total Liabilities	<u>6,831</u>	<u>-</u>	<u>7,398</u>	<u>14,952</u>
Fund Balances (Deficit):				
Restricted for:				
Community development projects	-	1,105,152	-	-
Public safety	-	-	-	-
Parks, recreation and senior center	-	-	892,406	-
Public works	2,142,606	-	-	744,814
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance (Deficit)	<u>2,142,606</u>	<u>1,105,152</u>	<u>892,406</u>	<u>744,814</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance (Deficit)	<u>\$ 2,149,437</u>	<u>\$ 1,105,152</u>	<u>\$ 899,804</u>	<u>\$ 759,766</u>

City of Imperial Beach

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025**

(Concluded)

	Total Nonmajor Governmental Funds
Assets:	
Pooled cash and investments	\$ 4,781,695
Receivables:	
Accounts	133,534
Due from other governments	<u>198,157</u>
Total Assets	<u>\$ 5,113,386</u>
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 358,222
Due to other funds	<u>41,180</u>
Total Liabilities	<u>399,402</u>
Fund Balances (Deficit):	
Restricted for:	
Community development projects	1,105,152
Public safety	79,222
Parks, recreation and senior center	892,406
Public works	2,916,591
Unassigned	<u>(279,387)</u>
Total Fund Balance (Deficit)	<u>4,713,984</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance (Deficit)	<u>\$ 5,113,386</u>

City of Imperial Beach

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2025**

	Special Revenue Funds			Supplemental Law Enforcement
	Gas Tax	Prop A Tax	CDBG Grant	
Revenues:				
Licenses and permits	\$ -	\$ 54,227	\$ -	\$ -
Intergovernmental	757,831	1,134,549	116,708	194,663
Use of money and property	15,266	892	-	-
Total Revenues	773,097	1,189,668	116,708	194,663
Expenditures:				
Current:				
Public safety	-	-	-	115,441
Community development	-	-	-	-
Debt Service:				
Principal	-	334,736	-	-
Interest	-	10,356	-	-
Capital outlay	-	573,521	-	-
Total Expenditures	-	918,613	-	115,441
Excess (Deficiency) of Revenues Over (Under) Expenditures	773,097	271,055	116,708	79,222
Other Financing Sources (Uses):				
Proceeds of commercial paper	-	101,000	-	-
Transfers in	-	-	1	-
Transfers out	(757,831)	(267,000)	(116,708)	-
Total Other Financing Sources (Uses)	(757,831)	(166,000)	(116,707)	-
Net Change in Fund Balances	15,266	105,055	1	79,222
Fund Balances, Beginning of Year	13,905	(384,442)	(1)	-
Fund Balances (Deficits), End of Year	\$ 29,171	\$ (279,387)	\$ -	\$ 79,222

City of Imperial Beach

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2025**

(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>
Revenues:				
Licenses and permits	\$ -	\$ -	\$ 52,532	\$ -
Intergovernmental	789,301	-	-	-
Use of money and property	93,539	198,022	59,203	42,237
Total Revenues	882,840	198,022	111,735	42,237
Expenditures:				
Current:				
Public safety	-	-	-	-
Community development	-	18,321	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	206,028	-	702,570	397,120
Total Expenditures	206,028	18,321	702,570	397,120
Excess (Deficiency) of Revenues Over (Under) Expenditures	676,812	179,701	(590,835)	(354,883)
Other Financing Sources (Uses):				
Proceeds of commercial paper	-	-	-	-
Transfers in	-	-	-	305,000
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	305,000
Net Change in Fund Balances	676,812	179,701	(590,835)	(49,883)
Fund Balances, Beginning of Year	1,465,794	925,451	1,483,241	794,697
Fund Balances (Deficits), End of Year	\$ 2,142,606	\$ 1,105,152	\$ 892,406	\$ 744,814

City of Imperial Beach

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2025**

(Concluded)

	Total Nonmajor Governmental Funds
Revenues:	
Licenses and permits	\$ 106,759
Intergovernmental	2,993,052
Use of money and property	409,159
Total Revenues	3,508,970
Expenditures:	
Current:	
Public safety	115,441
Community development	18,321
Debt Service:	
Principal	334,736
Interest	10,356
Capital outlay	1,879,239
Total Expenditures	2,358,093
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,150,877
Other Financing Sources (Uses):	
Proceeds of commercial paper	101,000
Transfers in	305,001
Transfers out	(1,141,539)
Total Other Financing Sources (Uses)	(735,538)
Net Change in Fund Balances	415,339
Fund Balances, Beginning of Year	4,298,645
Fund Balances (Deficits), End of Year	\$ 4,713,984

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
Gas Tax
Year Ended June 30, 2025**

	<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	\$ 13,905	\$ 13,905	\$ 13,905	\$ -
Resources (Inflows):				
Intergovernmental	775,200	761,300	757,831	(3,469)
Use of money and property	-	-	15,266	15,266
Amounts Available for Appropriations	789,105	775,205	787,002	11,797
Charges to Appropriation (Outflows):				
Transfers out	775,200	757,800	757,831	(31)
Total Charges to Appropriations	775,200	757,800	757,831	(31)
Budgetary Fund Balance, June 30	\$ 13,905	\$ 17,405	\$ 29,171	\$ 11,766

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
Prop A Tax
Year Ended June 30, 2025**

	<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	\$ (384,442)	\$ (384,442)	\$ (384,442)	\$ -
Resources (Inflows):				
Licenses and permits	27,400	54,200	54,227	27
Intergovernmental	267,000	789,500	1,134,549	345,049
Use of money and property	-	-	892	892
Proceeds of commercial paper	-	101,000	101,000	-
Amounts Available for Appropriations	(90,042)	560,258	906,226	345,968
Charges to Appropriation (Outflows):				
Debt Service				
Principal	-	334,736	334,736	-
Interest	-	10,356	10,356	-
Capital outlay	-	1,312,638	573,521	739,117
Transfers out	267,000	267,000	267,000	-
Total Charges to Appropriations	267,000	1,924,730	1,185,613	739,117
Budgetary Fund Balance (Deficit), June 30	\$ (357,042)	\$ (1,364,472)	\$ (279,387)	\$ 1,085,085

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
CDBG Grant
Year Ended June 30, 2025**

	<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	\$ (1)	\$ (1)	\$ (1)	\$ -
Resources (Inflows):				
Intergovernmental	129,000	129,000	116,708	(12,292)
Transfers in	-	-	1	1
Amounts Available for Appropriations	128,999	128,999	116,708	(12,291)
Charges to Appropriation (Outflows):				
Transfers out	129,000	116,700	116,708	(8)
Total Charges to Appropriations	129,000	116,700	116,708	(8)
Budgetary Fund Balance (Deficit), June 30	\$ (1)	\$ 12,299	\$ -	\$ (12,299)

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
Supplemental Law Enforcement
Year Ended June 30, 2025**

	<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	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	125,000	194,700	194,663	(37)
Amounts Available for Appropriations	125,000	194,700	194,663	(37)
Charges to Appropriation (Outflows):				
Public safety	125,000	125,000	115,441	9,559
Total Charges to Appropriations	125,000	125,000	115,441	9,559
Budgetary Fund Balance, June 30	\$ -	\$ 69,700	\$ 79,222	\$ 9,522

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
RMRA
Year Ended June 30, 2025**

	<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	\$ 1,465,794	\$ 1,465,794	\$ 1,465,794	\$ -
Resources (Inflows):				
Intergovernmental	661,900	661,900	789,301	127,401
Use of money and property	-	-	93,539	93,539
Amounts Available for Appropriations	<u>2,127,694</u>	<u>2,127,694</u>	<u>2,348,634</u>	<u>220,940</u>
Charges to Appropriation (Outflows):				
Capital outlay	661,900	1,831,660	206,028	1,625,632
Total Charges to Appropriations	<u>661,900</u>	<u>1,831,660</u>	<u>206,028</u>	<u>1,625,632</u>
Budgetary Fund Balance, June 30	<u>\$ 1,465,794</u>	<u>\$ 296,034</u>	<u>\$ 2,142,606</u>	<u>\$ 1,846,572</u>

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
Housing Authority
Year Ended June 30, 2025**

	<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	\$ 925,451	\$ 925,451	\$ 925,451	\$ -
Resources (Inflows):				
Use of money and property	-	-	198,022	198,022
Amounts Available for Appropriations	925,451	925,451	1,123,473	198,022
Charges to Appropriation (Outflows):				
Community development	-	18,300	18,321	(21)
Total Charges to Appropriations	-	18,300	18,321	(21)
Budgetary Fund Balance, June 30	\$ 925,451	\$ 907,151	\$ 1,105,152	\$ 198,001

City of Imperial Beach

**Budgetary Comparison Schedule – Capital Projects Funds
Parks Maintenance CIP
Year Ended June 30, 2025**

	<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	\$ 1,483,241	\$ 1,483,241	\$ 1,483,241	\$ -
Resources (Inflows):				
Licenses and permits	40,000	52,500	52,532	32
Use of money and property	-	-	59,203	59,203
Amounts Available for Appropriations	1,523,241	1,535,741	1,594,976	59,235
Charges to Appropriation (Outflows):				
Capital outlay	-	1,370,395	702,570	667,825
Total Charges to Appropriations	-	1,370,395	702,570	667,825
Budgetary Fund Balance (Deficit), June 30	\$ 1,523,241	\$ 165,346	\$ 892,406	\$ 727,060

City of Imperial Beach

**Budgetary Comparison Schedule – Capital Projects Funds
Capital Projects
Year Ended June 30, 2025**

	<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	\$ 794,697	\$ 794,697	\$ 794,697	\$ -
Resources (Inflows):				
Use of money and property	-	-	42,237	42,237
Transfers in	-	305,000	305,000	-
Amounts Available for Appropriations	794,697	1,099,697	1,141,934	42,237
Charges to Appropriation (Outflows):				
Capital outlay	-	1,089,174	397,120	692,054
Total Charges to Appropriations	-	1,089,174	397,120	692,054
Budgetary Fund Balance (Deficit), June 30	\$ 794,697	\$ 10,523	\$ 744,814	\$ 734,291

City of Imperial Beach

Combining Statement of Net Position Internal Service Funds June 30, 2025

	Vehicle Replacement & Maintenance	Self- Insurance	Technology & Communication	Facilities Repair & Maintenance	Total
Assets:					
Current:					
Pooled Cash and investments	\$ 1,255,279	\$ 2,230,258	\$ 809,752	\$ 536,209	\$ 4,831,498
Receivables:					
Accounts	-	1,413	-	-	1,413
Due from other governments	20,693	-	-	-	20,693
Total Current Assets	1,275,972	2,231,671	809,752	536,209	4,853,604
Noncurrent:					
Capital assets, not being depreciated	1,009,858	-	-	-	1,009,858
Capital assets, net of depreciation	365,154	-	176,616	47,118	588,888
Total Noncurrent Assets	1,375,012	-	176,616	47,118	1,598,746
Total Assets	2,650,984	2,231,671	986,368	583,327	6,452,350
Deferred Outflows of Resources:					
Deferred pension related items	26,743	16,675	16,989	-	60,407
Deferred OPEB related items	7,390	4,608	4,695	-	16,693
Total Deferred Outflows of Resources	34,133	21,283	21,684	-	77,100
Liabilities:					
Current:					
Accounts payable	135,552	931	6,317	69,288	212,088
Accrued liabilities	26,891	6,357	28,251	-	61,499
Compensated absences due in one year	13,178	8,961	9,787	-	31,926
Claims and judgments due in one year	-	69,000	-	-	69,000
Long-term liabilities due in one year	100,990	-	23,330	-	124,320
Total Current Liabilities	276,611	85,249	67,685	69,288	498,833
Noncurrent:					
Compensated absences due in more than one year	1,718	8,562	22,867	-	33,147
Claims and judgments due in more than one year	-	217,000	-	-	217,000
Long-term liabilities	217,194	-	24,711	-	241,905
Net pension liability	64,944	40,495	41,259	-	146,698
Net OPEB liability	12,941	8,069	8,222	-	29,232
Total Noncurrent Liabilities	296,797	274,126	97,059	-	667,982
Total Liabilities	573,408	359,375	164,744	69,288	1,166,815
Deferred Inflows of Resources:					
Deferred pension related items	5,286	3,296	3,358	-	11,940
Deferred OPEB related items	7,348	4,582	4,668	-	16,598
Total Deferred Inflows of Resources	12,634	7,878	8,026	-	28,538
Net Position:					
Net investment in capital assets	1,056,828	-	128,575	47,118	1,232,521
Unrestricted	1,042,247	1,885,701	706,707	466,921	4,101,576
Total Net Position	\$ 2,099,075	\$ 1,885,701	\$ 835,282	\$ 514,039	\$ 5,334,097

City of Imperial Beach

**Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2025**

	Vehicle Replacement & Maintenance	Self- Insurance	Technology & Communication	Facilities Repair & Maintenance	Total
Operating Revenues:					
Sales and service charges	\$ 595,500	\$ 993,600	\$ 982,800	\$ 150,100	\$ 2,722,000
Miscellaneous	165,945	-	-	-	165,945
Total Operating Revenues	761,445	993,600	982,800	150,100	2,887,945
Operating Expenses:					
Services and supplies	335,804	48,031	459,708	69,315	912,858
Claims expense	-	779,814	-	-	779,814
Personnel and administrative	246,038	123,312	455,401	-	824,751
Depreciation/ amortization expense	93,744	-	115,291	11,755	220,790
Total Operating Expenses	675,586	951,157	1,030,400	81,070	2,738,213
Operating Income (Loss)	85,859	42,443	(47,600)	69,030	149,732
Nonoperating Revenues (Expenses):					
Investment income	56,912	93,089	32,338	22,613	204,952
Miscellaneous revenue	-	101,236	-	-	101,236
Interest expense	(16,511)	-	(1,382)	-	(17,893)
Total Nonoperating Revenues (Expenses)	40,401	194,325	30,956	22,613	288,295
Income (Loss) Before Transfers	126,260	236,768	(16,644)	91,643	438,027
Transfers in	145,208	-	282,195	100,000	527,403
Total Transfers	145,208	-	282,195	100,000	527,403
Changes in Net Position	271,468	236,768	265,551	191,643	965,430
Net Position:					
Beginning of Year	1,827,607	1,648,933	569,731	322,396	4,368,667
End of Year	\$ 2,099,075	\$ 1,885,701	\$ 835,282	\$ 514,039	\$ 5,334,097

City of Imperial Beach

Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2025

	Vehicle Replacement & Maintenance	Self- Insurance	Technology & Communication	Facilities Repair & Maintenance	Total
Cash Flows from Operating Activities:					
Cash received from/(paid to) interfund service provided	\$ 772,964	\$ 992,187	\$ 982,800	\$ 150,100	\$ 2,898,051
Cash paid to suppliers for goods and services	(232,863)	(916,956)	(558,903)	(15,767)	(1,724,489)
Cash paid to employees for services	(263,250)	(132,753)	(439,520)	-	(835,523)
Net Cash Provided (Used) by Operating Activities	276,851	(57,522)	(15,623)	134,333	338,039
Cash Flows from Non-Capital Financing Activities:					
Cost reimbursements	-	101,236	-	-	101,236
Transfers from other funds	145,208	-	282,195	100,000	527,403
Net Cash Provided by Non-Capital Financing Activities	145,208	101,236	282,195	100,000	628,639
Cash Flows from Capital and Related Financing Activities:					
Principal Paid on subscription lease	(96,235)	-	(78,714)	-	(174,949)
Interest paid on subscription lease	(16,511)	-	(1,382)	-	(17,893)
Acquisition and construction of capital assets	(134,946)	-	(7,676)	-	(142,622)
Net Cash Used by Capital and Related Financing Activities	(247,692)	-	(87,772)	-	(335,464)
Cash Flows from Investing Activities:					
Investment income	56,912	93,089	32,338	22,613	204,952
Net Cash Provided by Investing Activities	56,912	93,089	32,338	22,613	204,952
Net Increase in Cash and Cash Equivalents	231,279	136,803	211,138	256,946	836,166
Cash and Cash Equivalents, Beginning of Year	1,024,000	2,093,455	598,614	279,263	3,995,332
Cash and Cash Equivalents, End of Year	\$ 1,255,279	\$ 2,230,258	\$ 809,752	\$ 536,209	\$ 4,831,498
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 85,859	\$ 42,443	\$ (47,600)	\$ 69,030	\$ 149,732
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation/amortization	93,744	-	115,291	11,755	220,790
Miscellaneous change on subscription	-	-	(111,255)	-	(111,255)
(Increase) decrease in accounts receivable	-	(1,413)	-	-	(1,413)
(Increase) decrease in prepaid costs	-	-	23,198	-	23,198
(Increase) decrease in due from other governments	11,519	-	-	-	11,519
(Increase) decrease in deferred outflows - pension	36,623	22,836	23,267	-	82,726
(Increase) decrease in deferred outflows - OPEB	1,068	666	678	-	2,412
Increase (decrease) in accounts payable	102,941	(5,111)	(11,138)	53,548	140,240
Increase (decrease) in accrued liabilities	(1,721)	459	8,146	-	6,884
Increase (decrease) in compensated absences	3,937	2,214	20,077	-	26,228
Increase (decrease) in claims and judgments	-	(84,000)	-	-	(84,000)
Increase (decrease) in net pension liability	(50,128)	(31,256)	(31,846)	-	(113,230)
Increase (decrease) in net OPEB liability	742	462	472	-	1,676
Increase (decrease) in deferred inflows - pension	(6,984)	(4,355)	(4,437)	-	(15,776)
Increase (decrease) in deferred inflows - OPEB	(749)	(467)	(476)	-	(1,692)
Total Adjustments	190,992	(99,965)	31,977	65,303	188,307
Net Cash Provided (Used) by Operating Activities	\$ 276,851	\$ (57,522)	\$ (15,623)	\$ 134,333	\$ 338,039

City of Imperial Beach

**Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2025**

	<u>Special Assessment Districts</u>		
	<u>Assessment District #63</u>	<u>Assessment District #64</u>	<u>Assessment District #66</u>
Assets:			
Pooled cash and investments	<u>\$ 131,505</u>	<u>\$ 33,517</u>	<u>\$ 189,641</u>
Total Assets	<u>131,505</u>	<u>33,517</u>	<u>189,641</u>
Net Position:			
Held in trust for other purposes	<u>131,505</u>	<u>33,517</u>	<u>189,641</u>
Total Net Position	<u>\$ 131,505</u>	<u>\$ 33,517</u>	<u>\$ 189,641</u>

City of Imperial Beach

**Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2025**

	<u>Special Assessment Districts</u>		<u>Custodial Funds Total</u>
	<u>Assessment District #68</u>	<u>Assessment District #71</u>	
Assets:			
Pooled cash and investments	<u>\$ 112,670</u>	<u>\$ 18,127</u>	<u>\$ 485,460</u>
Total Assets	<u>112,670</u>	<u>18,127</u>	<u>485,460</u>
Net Position:			
Held in trust for other purposes	<u>112,670</u>	<u>18,127</u>	<u>485,460</u>
Total Net Position	<u>\$ 112,670</u>	<u>\$ 18,127</u>	<u>\$ 485,460</u>

City of Imperial Beach

**Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
Year Ended June 30, 2025**

	<u>Special Assessment Districts</u>		
	<u>Assessment District #63</u>	<u>Assessment District #64</u>	<u>Assessment District #66</u>
Additions:			
Interest and change in fair value of investments	\$ 5,170	\$ 1,318	\$ 7,455
Total Additions	<u>5,170</u>	<u>1,318</u>	<u>7,455</u>
Changes in Net Position	<u>5,170</u>	<u>1,318</u>	<u>7,455</u>
Net Position at Beginning of Year	<u>126,335</u>	<u>32,199</u>	<u>182,186</u>
Net Position at End of Year	<u><u>\$ 131,505</u></u>	<u><u>\$ 33,517</u></u>	<u><u>\$ 189,641</u></u>

City of Imperial Beach

**Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
Year Ended June 30, 2025**

	<u>Special Assessment Districts</u>		<u>Custodial Funds Total</u>
	<u>Assessment District #68</u>	<u>Assessment District #71</u>	
Additions:			
Interest and change in fair value of investments	\$ 4,429	\$ 713	\$ 19,085
Total Additions	4,429	713	19,085
Changes in Net Position	4,429	713	19,085
Net Position at Beginning of Year	108,241	17,414	466,375
Net Position at End of Year	\$ 112,670	\$ 18,127	\$ 485,460

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