

CITY OF IMPERIAL BEACH, CALIFORNIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021

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City of Imperial Beach

Financial Statements For the Fiscal Year Ended June 30, 2021

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position – Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Fiduciary Net Position – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	22
Notes to Financial Statements	23

City of Imperial Beach

**Financial Statements
For the Fiscal Year Ended
June 30, 2021**

TABLE OF CONTENTS

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Proportionate Share of the Net Pension Liability And Related Ratios as of the Measurement Date	69
Schedules of Plan Contributions	70
Schedule of Changes in the Total OPEB Liability and Related Ratios	71
Budgetary Comparison Schedule by Department General Fund	72
Notes to Required Supplementary Information	73
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Combining Balance Sheet – Nonmajor Governmental Funds	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	78
Budgetary Comparison Schedules – Special Revenue Funds	
Gas Tax	81
Prop A Tax	82
Supplemental Law Enforcement	83
Lighting District #67	84
RMRA	85
Budgetary Comparison Schedules – Capital Projects Funds	
Parks Maintenance CIP	86
Capital Projects	87
Combining Statement of Net Position – Internal Service Funds	88
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds	89

City of Imperial Beach

**Financial Statements
For the Fiscal Year Ended
June 30, 2021**

TABLE OF CONTENTS

	<u>Page Number</u>
Combining Statement of Cash Flows – Internal Service Funds	90
Combining Statement of Fiduciary Net Position – All Custodial Funds	91
Combining Statement of Changes in Fiduciary Net Position – All Custodial Funds	93

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

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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, 2021, 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 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, 2021, 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. 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 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, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City adopted provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 22, 2021

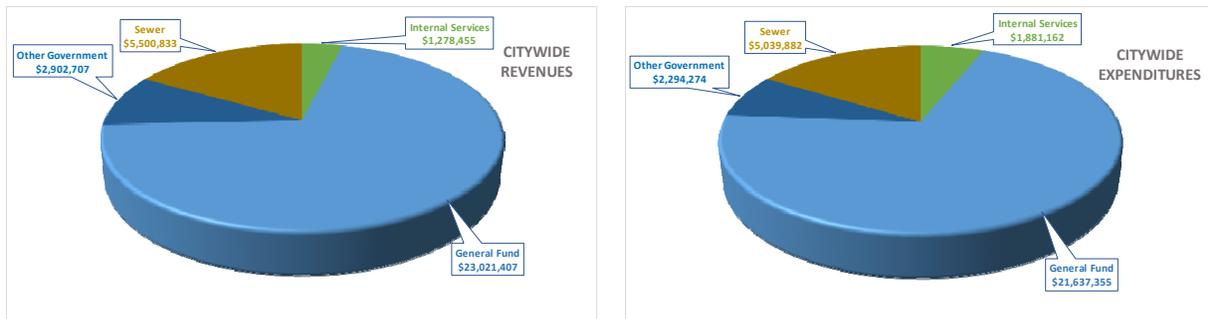
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Management's Discussion and Analysis

The City of Imperial Beach prepares an annual financial statement to identify the status of the City's financial accounts, investments, assets, and liabilities. The management team (City Manager, Chief Administrative Officer (ACM), and Finance Director) has reviewed in detail the independent audit conducted by an accounting firm not associated with the City and prepared this overview and analysis of financial statements for the fiscal year ended June 30, 2021. 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

The Citywide revenue recorded for the fiscal year ending June 30, 2021, was \$32,703,402 inclusive of the General Fund, Other Government Funds, the Internal Services Funds, and the Sewer Enterprise Fund. It should be noted that the Successor Agency to the former Redevelopment Agency revenue is not included in the Citywide revenue because the Successor Agency is considered a separate entity and not technically part of the municipal corporation.



Conversely, the Citywide expenditures for fiscal year ending on June 30, 2021, were \$30,852,673 in the combined General Fund, Other Government Funds, the Internal Services Funds, and the Sewer Enterprise Fund.

The fiscal year 2020-2021 General Fund actual expenditures, including transfers, totaling \$21,642,760 were far below the budgeted, as amended, expenditures of \$23,931,163. Initially, in fiscal year 2020-2021, the City Council allocated more expenditures than revenues in order to complete several capital projects. However, late in fiscal year 2019-2020 when the COVID-19 Pandemic struck, the City Council immediately adopted a Financial Preparation and Recovery Plan that reduced spending, implemented a "soft" hiring and spending freeze, and deferred spending on maintenance and capital projects. Moreover, the City received approximately \$835,700 in CARES act funding which was appropriated in fiscal year 2020-2021. This funding helped to offset costs for various COVID-19 related expenditures. The additional CARES Act appropriation, as well as the deferment of capital projects and prudent spending practices by staff resulted in lower than anticipated expenditures in the General Fund.

As previously stated, General Fund expenditures finished lower than budgeted due to spending adjustments made by the implementation of the Financial Preparation and Recovery plan, deferment of maintenance and capital spending, and careful staff oversight. Additionally, due to greater than anticipated RPTTF (property tax), receipt of the City's first quarter of Measure I taxes (additional 1% sales tax), and the influx of CARES Act funding, General Fund revenues finished significantly higher than originally budgeted. The combination of lower than anticipated expenditures along with greater than estimated revenues, resulted in an increase of approximately \$2,066,000 in the General Fund Fund Balance for fiscal year 2020-2021. The financial conditions resulting from the COVID-19 pandemic over the last 18 months were unknown and unprecedented. The City, due to its stable revenue base and cautious spending, fared well through the COVID-19 Pandemic. However, staff is still unsure if and how the pandemic will financially impact the City in the long term. It will remain a priority to consistently monitor both revenues and expenditures and adjust either as it becomes necessary.

Fund Balances

Fund balance represents the difference between assets and liabilities in a given City fund. The easiest way to think of fund balance is as a "reserve" or "savings" account for each identified City fund. Some of these funds have specific City Council policies that dictate their use and others are more flexible in nature. Detailed information about these fund balances can be found on the balance sheet of the Financial Statement.

General Fund Unassigned Fund Balance- The largest and perhaps most important fund balance is the Unassigned Fund Balance of the General Fund. The fund is critical for two reasons. First, this fund allows the City Council to appropriate funds for an unforeseen expense or emergency that was not contemplated when the budget was adopted. Second, the Unassigned Fund Balance of the General Fund is important for cash management. Although expenses are incurred throughout the fiscal year, revenue tends to be received in larger portions at specific times. For instance, the largest revenue source of the City, property tax, is received monthly but much larger payments are received near the end of the calendar year and in the early spring when property taxes for most property owners come due. The Unassigned Fund Balance of the General Fund allows the City to satisfy its obligations prior to receiving revenues, when necessary.

The City Council has adopted a policy that the Unassigned Fund Balance of the General Fund should be maintained between 30% and 40% of the annual General Fund expenditures. The Unassigned Fund Balance of the General Fund on June 30, 2021, was \$9,700,606 or about 45% of the fiscal year 2020-2021 General Fund expenditures of \$21,642,760 which exceeds the level established with the adopted City Council policy. In the next fiscal year, it is anticipated that a portion of the Unassigned Fund Balance will be transferred to increase the Economic Uncertainty Fund, to establish a reserve for the purchase of new equipment in the Vehicle Replacement Fund, to increase the reserve in the Self-Insurance Fund, to clear the deficit in the Technology and Communication Internal Service Fund, and to replenish the Facilities Maintenance Building Reserve. These critical actions will result in a more stable financial platform for the City and allow the City to prepare for future large-scale purchases, such as fire apparatus, and to respond to any unanticipated changes in revenue.

Economic Uncertainty Fund - The City Council has established an Economic Uncertainty Fund that should only be used in fiscal emergency situations. The City Council determined that the Economic Uncertainty Fund should be a minimum of 10% of annual General Fund expenditures. The Economic Uncertainty Fund was \$2,100,000 on June 30, 2021, which is generally consistent with the adopted policy. The COVID-19 Pandemic Financial Preparation and Recovery Plan adopted in March 2020 and revised in May 2020 anticipated using up to \$450,000 of the Economic Uncertainty Fund but transfers from the Fund were not necessary. Staff is anticipating increasing the Economic Uncertainty Fund in fiscal year 2021-2022 in order to remain consistent with the adopted policy.

Public Works Reserve Fund – The City Council has established a Public Works Reserve Fund that is to be utilized only in the event of an emergency requiring funds to provide for public safety, minimum levels of circulation or other authorized emergency situations. The Public Works Reserve Fund, which by resolution should contain a minimum of \$1,000,000, had a balance of \$1,370,501 on June 30, 2021.

Other General Fund Balances - The City Council has established a fund in the General Fund that is used to complete capital projects within the City. The Strategic Capital Fund, an assigned fund balance, had a balance of \$1,400,000 on June 30, 2021.

Other Government Funds - The City receives revenue from other government functions that have restrictions in their use. On June 30, 2021, the Gas Tax Fund Balance was \$1,344, the Road Maintenance and Rehabilitation Fund (RMRA/SB1) Fund Balance was \$212,758, the Supplemental Law Enforcement Fund was \$56,727, and the Proposition A (Transnet) Fund Balance was \$2,016. The Park Maintenance Fund Balance was \$124,902 on June 30, 2021.

Internal Service Fund Balances - There are four Internal Service Funds that were created to provide services to the various City departments and are funded from proportional contributions from each of the departments. The total of all Internal Service Fund Balances on June 30, 2021 was \$900,339.

The **Vehicle Replacement & Maintenance Fund** serves all City departments with the purchase and maintenance of the City's vehicle fleet. On June 30, 2021, the fund balance was \$911,073, of which \$553,526 is invested in capital assets and \$357,547 is unrestricted. In the next fiscal year, staff will be requesting an increase of the fund balance in the Vehicle Fund in order to plan for future vehicle and equipment purchases.

The **Risk Management (Self-Insurance) Fund** was created to address the City's liabilities and special legal services. The Risk Management Fund balance includes the City's liability insurance and the self-insured retention (SIR), or deductible. Funding should be available for at least 5 times the deductible of \$100,000, or a minimum of \$500,000. Additional funds should also be in place for settling claims, both internal and external. On June 30, 2021, the Risk Management Fund had a fund balance of \$228,714. Staff will prioritize increasing the fund balance of the Risk Management Fund to approximately \$750,000 in the next two-year budget cycle.

The **Technology & Communication Fund** serves all departments with computers, servers, printers, and other technological assistance and maintenance. The Technology Fund Balance was (\$350,136) at the end of the 2021 fiscal year. Staff is proposing to eliminate this negative balance in the next fiscal year with a transfer of funds from the General Fund Unassigned Fund Balance.

The **Facilities Repair & Maintenance Fund** allows funds to be set aside for building repairs and improvements. On June 30, 2021, the fund balance of the Facilities Maintenance Fund was \$110,688, of which \$3,459 is invested in capital assets and \$107,229 is unrestricted and can be used for improvements to and maintenance of the various City buildings. In the next fiscal year, staff is proposing to restore the Building Maintenance Reserve to \$200,000.

Housing Authority - Created under the authority of the former Redevelopment Agency, the Housing Authority was previously funded through a percentage of tax increment generated by the Redevelopment Agency. Since the dissolution of Redevelopment Agencies, the funding source (tax increment) for the Housing Authority has been eliminated. The Housing Authority ending fund balance on June 30, 2021, was \$664,276.

Sewer Fund - The only Enterprise Fund (Business Type Activity) operated by the City is the Wastewater or Sewer Fund. The City Council has directed staff to maintain a fund balance in the Sewer Fund of approximately \$2 million in case of an unanticipated repair or emergency. On June 30, 2021, the Sewer Fund had a fund balance of \$13,118,912, of which \$3,417,891 is unrestricted, which complies with the direction provided by the City Council. The remaining \$9,701,021 of the fund balance is investment in capital assets.

Overview of Financial Statements

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. There is also supplementary information intended to furnish additional detail to support the content of the financial statements.

Government-Wide Financial Statements - Government-wide financial statements are designed to provide a broad overview of the City's finances. The **statement of net position** presents financial information on 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** indicates 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 the statement of net position and the statement of activities distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the City include sewer operations.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of 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 reports one major governmental fund the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts a bi-annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Enterprise Fund and the Internal Services Fund which are considered major funds of the City.

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

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

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. On June 30, 2021, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows by \$79,580,018, an increase from \$77,342,064 on June 30, 2020.

Primary Government - Net Position			
	Governmental Activities	Business-Type Activities	Total
Total Assets	\$80,758,724	\$12,376,054	\$93,134,778
Deferred Outflows of Resources	6,875,581	156,104	7,031,685
Total Liabilities	(17,383,075)	(330,296)	(17,713,371)
Deferred Inflows of Resources	(2,809,292)	(63,782)	(2,873,074)
Total Net Position	\$67,441,938	\$12,138,080	\$79,580,018

The City's combined net position is \$79,580,018 which reflects restricted and unrestricted funds, as well as investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

At the end of the 2020-2021 fiscal year, the City maintained positive balances in all reported categories of net position, both for the government as a whole and the separate governmental and business-type activities.

Financial Analysis of Governmental Funds

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The purpose of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. Unassigned Fund Balance may serve as a useful measure of net resources available for discretionary use as they represent the portion of fund balance which has not been appropriated for a specific purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for specific purposes by the City Council.

The City's governmental funds reported combined fund balances of \$15,879,581. Of this amount, \$9,666,192 constitutes Unassigned Fund Balance, which is available for spending at the discretion of the City Council. The remaining \$6,213,389 is either restricted, committed, or assigned. The Unrestricted Fund Balance of the Business-Type Fund, or the Sewer Enterprise Fund, was \$3,417,891 on June 30, 2021.

Capital Assets and Debt Administration

The City's net investment in capital assets for its governmental and business-type activities amounts to \$68,344,716 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the wastewater or sewer system. On June 30, 2021, the City did not have any outstanding debt.

There is an obligation to retire the City's Unfunded Accrued Liability in the California Public Employees Retirement System (CalPERS). On June 30, 2021, the City had an obligation to pay \$2,407,169 in other post-retirement benefits and \$9,504,977 for a net pension liability.

The City also has an obligation of \$1,096,827 for compensated absences (vacation and sick leave) for the existing employees. The City must retain enough funding to pay off these absences as if every employee were to leave employment at the same time.

Summary

The comments herein represent an explanation and a narrative for the contents of the City's financial statements. This report was not intended to be a replacement for the contents of the financial statements and if there is any discrepancy between the two documents it is unintentional, and the contents of the financial statements are presumed to supersede the contents of this report.

This financial report provides a general overview of the City's financial documents for all those with an interest in the government's fiscal health. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Joann M. Gitmed, 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, 2021

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 16,913,780	\$ 3,522,184	\$ 20,435,964
Receivables:			
Accounts	803,441	809	804,250
Accrued interest	6,595	-	6,595
Internal balances	980,832	(980,832)	-
Prepaid costs	65,743	376	66,119
Due from other governments	3,344,638	132,496	3,477,134
Capital assets, not being depreciated	17,826,216	1,927,108	19,753,324
Capital assets, net of depreciation	40,817,479	7,773,913	48,591,392
Total Assets	80,758,724	12,376,054	93,134,778
Deferred Outflows of Resources:			
Deferred pension related items	5,722,809	129,931	5,852,740
Deferred OPEB related items	1,152,772	26,173	1,178,945
Total Deferred Outflows of Resources	6,875,581	156,104	7,031,685
Liabilities:			
Accounts payable	2,081,685	22,760	2,104,445
Accrued liabilities	356,584	17,875	374,459
Unearned revenue	250,000	-	250,000
Deposits payable	1,183,494	-	1,183,494
Compensated absences due in one year	529,896	25,212	555,108
Claims payable due in one year	146,000	-	146,000
Noncurrent liabilities:			
Compensated absences due in more than one year	541,719	-	541,719
Claims payable due in more than one year	646,000	-	646,000
Net Pension Liability	9,293,967	211,010	9,504,977
Total OPEB liability	2,353,730	53,439	2,407,169
Total Liabilities	17,383,075	330,296	17,713,371
Deferred Inflows of Resources:			
Deferred pension related items	2,809,292	63,782	2,873,074
Total Deferred Inflows of Resources	2,809,292	63,782	2,873,074
Net Position:			
Investment in capital assets	58,643,695	9,701,021	68,344,716
Restricted for:			
Community development	664,276	-	664,276
Public safety	56,727	-	56,727
Parks and recreation	124,902	-	124,902
Public works	216,118	-	216,118
Unrestricted	7,736,220	2,437,059	10,173,279
Total Net Position	\$ 67,441,938	\$ 12,138,080	\$ 79,580,018

See Notes to Financial Statements

City of Imperial Beach

**Statement of Activities
Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ 6,435,788	\$ 475,460	\$ 489,295	\$ -
Public safety	13,116,345	299,986	5,200,402	-
Community development	10,617	426,842	-	-
Parks, recreation and senior center	1,783,151	32,626	-	-
Public works	3,013,127	431,282	805,274	2,175,402
Total Governmental Activities	24,359,028	1,666,196	6,494,971	2,175,402
Business-Type Activities:				
Sewer	5,101,041	5,498,011	-	-
Total Business-Type Activities	5,101,041	5,498,011	-	-
Total Primary Government	\$ 29,460,069	\$ 7,164,207	\$ 6,494,971	\$ 2,175,402

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

Transfers

Total General Revenues

Change in Net Position

Net Position at Beginning of Year

Restatement of Net Position

Net Position at Beginning of Year, as restated

Net Position at End of Year

See Notes to Financial Statements

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (5,471,033)	\$ -	\$ (5,471,033)
(7,615,957)	-	(7,615,957)
416,225	-	416,225
(1,750,525)	-	(1,750,525)
398,831	-	398,831
(14,022,459)	-	(14,022,459)
-	396,970	396,970
-	396,970	396,970
(14,022,459)	396,970	(13,625,489)
6,435,426	-	6,435,426
904,038	-	904,038
4,480,452	-	4,480,452
2,156,836	-	2,156,836
367,233	-	367,233
20,577	-	20,577
432,789	2,822	435,611
970,834	-	970,834
110,480	(110,480)	-
15,878,665	(107,658)	15,771,007
1,856,206	289,312	2,145,518
65,493,296	11,848,768	77,342,064
92,436	-	92,436
65,585,732	11,848,768	77,434,500
\$ 67,441,938	\$ 12,138,080	\$ 79,580,018

See Notes to Financial Statements

City of Imperial Beach

Balance Sheet Governmental Funds June 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Pooled cash and investments	\$ 14,052,680	\$ 1,087,776	\$ 15,140,456
Receivables:		-	
Accounts	803,441	-	803,441
Accrued interest	6,595	-	6,595
Prepaid costs	12,534	-	12,534
Due from other governments	2,571,363	743,613	3,314,976
Due from other funds	785,723	-	785,723
Total Assets	\$ 18,232,336	\$ 1,831,389	\$ 20,063,725
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,674,377	\$ 215,215	\$ 1,889,592
Accrued liabilities	345,121	-	345,121
Unearned revenues	100,000	150,000	250,000
Deposits payable	1,183,494	-	1,183,494
Due to other funds	-	438,565	438,565
Total Liabilities	3,302,992	803,780	4,106,772
Deferred Inflows of Resources:			
Unavailable revenues	77,372	-	77,372
Total Deferred Inflows of Resources	77,372	-	77,372
Fund Balances:			
Nonspendable:			
Prepaid costs	12,534	-	12,534
Restricted for:			
Community development projects	-	664,276	664,276
Public safety	-	56,727	56,727
Parks, recreation and senior center	-	124,902	124,902
Public works	-	216,118	216,118
Committed to:			
Economic uncertainty reserve	2,100,000	-	2,100,000
Public works	1,370,501	-	1,370,501
Assigned to:			
Public works strategic capital reserve	1,400,000	-	1,400,000
Public works projects	268,331	-	268,331
Unassigned	9,700,606	(34,414)	9,666,192
Total Fund Balances	14,851,972	1,027,609	15,879,581
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 18,232,336	\$ 1,831,389	\$ 20,063,725

See Notes to Financial Statements

City of Imperial Beach

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2021

Fund balances of governmental funds	\$ 15,879,581
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity (excludes internal service funds).	58,086,710
Compensated absences, net pension liability, and total OPEB liability that have not been included in the governmental fund activity (excludes internal service funds):	
Compensated absences	(1,050,356)
Net pension liability	(9,111,472)
Total OPEB liability	(2,307,512)
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	5,610,436
Deferred outflows of resources - OPEB related	1,130,137
Deferred inflows of resources - pension related	(2,754,129)
Revenues reported as available revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	77,372
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>1,881,171</u>
Net Position of Governmental Activities	<u>\$ 67,441,938</u>

City of Imperial Beach

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 13,976,753	\$ -	\$ 13,976,753
Assessments	-	528	528
Licenses and permits	655,430	-	655,430
Intergovernmental	1,604,365	2,362,014	3,966,379
Charges for services	6,080,893	50,999	6,131,892
Use of money and property	392,234	37,373	429,607
Fines and forfeitures	147,394	-	147,394
Miscellaneous	164,338	451,793	616,131
Total Revenues	23,021,407	2,902,707	25,924,114
Expenditures:			
Current:			
General government	5,707,940	-	5,707,940
Public safety	12,344,757	231,403	12,576,160
Community development	-	2,220	2,220
Parks and recreation	1,404,972	-	1,404,972
Public works	2,004,303	622,933	2,627,236
Capital outlay	175,383	1,437,718	1,613,101
Total Expenditures	21,637,355	2,294,274	23,931,629
Excess (Deficiency of Revenues Over (Under) Expenditures	1,384,052	608,433	1,992,485
Other Financing Sources (Uses):			
Transfers in	687,424	5,405	692,829
Transfer out	(5,405)	(687,424)	(692,829)
Total Other Financing Sources (Uses)	682,019	(682,019)	-
Net Change in Fund Balances	2,066,071	(73,586)	1,992,485
Fund Balances, Beginning of Year, As Restated	12,785,901	1,101,195	13,887,096
Fund Balances, End of Year	\$ 14,851,972	\$ 1,027,609	\$ 15,879,581

See Notes to Financial Statements

City of Imperial Beach

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2021

Net change in fund balances - total governmental funds		\$ 1,992,485
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	\$ 2,640,034	
Depreciation	<u>(1,871,236)</u>	768,798
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.		(144,344)
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.		(68,128)
OPEB obligation 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.		(244,008)
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.		(17,529)
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.		<u>(431,068)</u>
Change in Net Position of Governmental Activities		<u>\$ 1,856,206</u>

City of Imperial Beach

Statement of Net Position Proprietary Funds June 30, 2021

	Enterprise Fund	Governmental Activities
	Sewer	Internal Service Funds
Assets:		
Current:		
Cash and investments	\$ 3,522,184	\$ 1,773,324
Receivables:		
Accounts	809	-
Prepaid costs	376	53,209
Due from other governments	132,496	29,662
Total Current Assets	3,655,865	1,856,195
Noncurrent:		
Capital assets, not being depreciated	1,927,108	-
Capital assets, net of depreciation	7,773,913	556,985
Total Noncurrent Assets	9,701,021	556,985
Total Assets	13,356,886	2,413,180
Deferred Outflows of Resources:		
Deferred pension related items	129,931	112,373
Deferred OPEB related items	26,173	22,635
Total Deferred Outflows of Resources	156,104	135,008
Liabilities:		
Current:		
Accounts payable	22,760	192,093
Accrued liabilities	17,875	11,463
Due to other funds	-	347,158
Compensated absences due in one year	25,212	7,482
Claims and judgments due in one year	-	146,000
Total Current Liabilities	65,847	704,196
Noncurrent:		
Compensated absences due in more than one year	-	13,777
Claims and judgments due in more than one year	-	646,000
Net pension liability	211,010	182,495
Total OPEB liability	53,439	46,218
Total Noncurrent Liabilities	264,449	888,490
Total Liabilities	330,296	1,592,686
Deferred Inflows of Resources:		
Deferred pension related items	63,782	55,163
Total Deferred Inflows of Resources	63,782	55,163
Net Position:		
Investment in capital assets	9,701,021	556,985
Unrestricted	3,417,891	343,354
Total Net Position	\$ 13,118,912	\$ 900,339
Reconciliation of Net Position to the Statement of Net Position		
Net Position per Statement of Net Position - Proprietary Funds	\$ 13,118,912	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(919,673)	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds	(61,159)	
Net Position per Statement of Net Position	\$ 12,138,080	

See Notes to Financial Statements

City of Imperial Beach

Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds Year Ended June 30, 2021

	Business-Type Activities Enterprise Fund Sewer	Governmental Activities Internal Service Funds
Operating Revenues:		
Sales and service charges	\$ 5,498,011	\$ 1,080,286
Miscellaneous	-	194,988
Total Operating Revenues	5,498,011	1,275,274
Operating Expenses:		
Source of supply	4,178,879	-
Services and supplies	-	906,012
Claims expense	-	392,371
Personnel and administrative	571,444	381,985
Depreciation expense	289,559	200,794
Total Operating Expenses	5,039,882	1,881,162
Operating Income (Loss)	458,129	(605,888)
Nonoperating Revenues (Expenses):		
Interest revenue	2,822	3,181
Total Nonoperating Revenues (Expenses)	2,822	3,181
Income (Loss) Before Transfers	460,951	(602,707)
Transfers in	-	110,480
Transfers out	(110,480)	-
Total Transfers	(110,480)	110,480
Change in Net Position	350,471	(492,227)
Net Position:		
Beginning of Year	12,768,441	1,392,566
End of Fiscal Year	\$ 13,118,912	\$ 900,339
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	\$ 350,471	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	(61,159)	
Changes in Net Position of Business-Type Activities per Statement of Activities	\$ 289,312	

See Notes to Financial Statements

City of Imperial Beach

Statement of Cash Flows Proprietary Funds Year Ended June 30, 2021

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Funds
	Sewer	
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 5,511,617	\$ -
Cash received from/(paid to) interfund service provided	-	1,260,013
Cash paid to suppliers for goods and services	(4,263,009)	(1,396,219)
Cash paid to employees for services	(579,906)	(471,782)
Net Cash Provided (Used) by Operating Activities	668,702	(607,988)
Cash Flows from Non-Capital Financing Activities:		
Transfers from other funds	-	110,480
Transfers to other funds	(110,480)	-
Amounts received from other funds	-	279,203
Net Cash Provided (Used) by Non-Capital Financing Activities	(110,480)	389,683
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(311,824)	-
Net Cash Used by Capital and Related Financing Activities	(311,824)	-
Cash Flows from Investing Activities:		
Interest received	2,822	3,181
Net Cash Provided by Investing Activities	2,822	3,181
Net Increase (Decrease) in Cash and Cash Equivalents	249,220	(215,124)
Cash and Cash Equivalents, Beginning of Year	3,272,964	1,988,448
Cash and Cash Equivalents, End of Year	\$ 3,522,184	\$ 1,773,324
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 458,129	\$ (605,888)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	289,559	200,794
(Increase) decrease in accounts receivable	(809)	-
(Increase) decrease in prepaid costs	964	(47,102)
(Increase) decrease in due from other governments	14,415	(15,261)
(Increase) decrease in deferred pension related items	(4,995)	(19,970)
(Increase) decrease in deferred OPEB related items	24,933	41,248
Increase (decrease) in accounts payable	(85,094)	120,266
Increase (decrease) in accrued liabilities	(3,044)	(4,778)
Increase (decrease) in compensated absences	(17,634)	(30,578)
Increase (decrease) in claims and judgments	-	(171,000)
Increase (decrease) in net pension liability	28,045	24,086
Increase (decrease) in total OPEB liability	(38,694)	(68,950)
Increase (decrease) in deferred inflows - pension	2,927	(30,855)
Total Adjustments	210,573	(2,100)
Net Cash Provided (Used) by Operating Activities	\$ 668,702	\$ (607,988)

See Notes to Financial Statements

City of Imperial Beach

Statement of Fiduciary Net Position Fiduciary Funds June 30, 2021

	Custodial Funds	Private- Purpose Trust Fund Successor Agency to the Former RDA
Assets:		
Pooled cash and investments	\$ 440,098	\$ 1,303,319
Land held for resale	-	5,760,000
Deferred charges	-	323,378
Restricted assets:		
Cash and investments with fiscal agents	-	1,726
Total Assets	440,098	7,388,423
Liabilities:		
Accounts payable	-	9,598
Accrued liabilities	-	7,623
Accrued interest	-	99,843
Long-term liabilities:		
Due in one year	-	900,000
Due in more than one year	-	29,709,964
Total Liabilities	-	30,727,028
Net Position (Deficit):		
Held in trust for other purposes	440,098	(23,338,605)
Total Net Position	\$ 440,098	\$ (23,338,605)

See Notes to Financial Statements

City of Imperial Beach

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2021**

	Custodial Funds	Private- Purpose Trust Fund Successor Agency to the Former RDA
Additions:		
Taxes	\$ -	\$ 3,069,411
Interest and change in fair value of investments	-	20,333
Miscellaneous	23,948	-
Total Additions	23,948	3,089,744
Deductions:		
Administrative expenses	7,781	203,177
Contractual services	-	113,746
Interest expense	-	1,112,839
Payments to fiscal agent	6,165	-
Total Deductions	13,946	1,429,762
Changes in Net Position	10,002	1,659,982
Net Position (Deficit) at Beginning of Year	-	(24,998,587)
Restatement of Net Position	430,096	-
Net Position (Deficit) at Beginning of Year, as Restated	430,096	(24,998,587)
Net Position (Deficit) at End of Year	\$ 440,098	\$ (23,338,605)

See Notes to Financial Statements

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

a. Description of the Reporting Entity

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

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

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

Blended Component Units

Imperial Beach Public Financing Authority

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

Note 1: Summary of Significant Accounting Policies (Continued)

Imperial Beach Housing Authority

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

b. Government-Wide and Fund Financial Statements

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental fund:

- 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 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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

d. Assets, Liabilities and Net Position or Equity

Cash and Investments

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

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

Receivables and Payables

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Classifications

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

- General Government includes legislative activities that have a primary objective of providing legal and policy guidelines for the City. Also included in this classification are those activities that provide management or support services across more than one functional area.
- Public Safety includes those activities that involve the protection of people and property.
- Community Development includes those activities which involve planning and economic development, as well as building and safety.
- Parks, Recreation and Senior Center include those activities that involve community park maintenance and recreational activities within the community.
- Public Works includes those activities that involve the maintenance and improvement of City streets, roads and park department development and maintenance.
- 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)

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.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the City has reported general infrastructure assets acquired in prior and current years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows and Inflows of Resources

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

Compensated Absences

All permanent employees of the City are permitted to accumulate a maximum of two times their annual accrual rate (annual leave). Maximum sick leave accrual for miscellaneous employees is 800 hours and for safety employees it can be 1, 120 or 1,400 hours, depending on the hire date. Upon termination of employment, an employee is paid for accumulated annual leave but forfeits accumulated sick leave unless the employee has over five years of service. After five years of service, upon termination, the employee is paid for half the accumulated sick leave. Compensated absences are paid out of the General Fund and are reported there as a liability when they have matured.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

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

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

Other Post-Employment Benefits (OPEB)

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

GASB Statement No. 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

Long-Term Obligations

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

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Equity

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

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

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

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

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

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

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

Net Position Flow Assumption

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

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

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

Encumbrances

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

Property Tax Revenue

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of San Diego collects property taxes for the City. Tax liens attach annually on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31.

City of Imperial Beach

Notes to Financial Statements June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

During the fiscal year ended June 30, 2021, the City implemented the following GASB standard:

GASB Statement No. 84 – The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*. The primary objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

Note 2: Stewardship, Compliance and Accountability

a. Deficit Fund Balances or Net Position

The following nonmajor funds reported deficits in fund balance at June 30, 2021:

CDBG Grant - Special Revenue Fund	\$ 1,505
Capital Projects - Capital Projects Fund	32,909

The deficit in the CDBG Grant Fund will be eliminated by future expected revenue sources and the deficit in the Capital Projects Fund will be eliminated by the repayment of the capital project costs from other funds.

b. Budget Data

For the fiscal year ended June 30, 2021, the Housing Authority Fund, Local Law Enforcement Block Grant Fund, CDBG Grant Fund, and CIP 2010 Bond Fund had no adopted annual budgets.

City of Imperial Beach

Notes to Financial Statements June 30, 2021

II. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2021, cash and investments were reported in the accompanying financial statements as follows:

Cash and investments:	
Governmental activities	\$ 16,913,780
Business-Type activities	3,522,184
Fiduciary funds:	
Custodial funds	440,098
Private Purpose Trust	<u>1,303,319</u>
Total Cash and Investments	<u>22,179,381</u>
Restricted cash with fiscal agents:	
Fiduciary Funds:	
Private Purpose Trust	<u>1,726</u>
Total cash and investments with fiscal agents	<u>1,726</u>
Total cash and investments	<u><u>\$ 22,181,107</u></u>

Cash and investments as of June 30, 2021 consists of the following:

Deposits with financial institutions	\$ 733,361
Cash on hand	1,000
Investments	<u>21,446,746</u>
Total cash and investments	<u><u>\$ 22,181,107</u></u>

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

Deposits

At June 30, 2021, the carrying amount of the City's deposits was \$733,361 and the bank balance was \$796,148. The \$62,787 difference represents outstanding checks and other reconciling items.

Note 3: Cash and Investments (Continued)

Deposits

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

Investments

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

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

Note 3: Cash and Investments (Continued)

Investments Authorized by Debt Agreements

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

Investments in State Investment Pool

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

GASB Statement No. 31

The City adopted GASB Statement 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, 2021, the City's investment in Medium-Term Corporate Notes were all rated A or better by Moody's and S&P. In addition, the City's investments in Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation were rated "AA+" by Moody's and by S&P. All securities were investment grade and were legal under State law. Investments in U.S. Treasuries are not considered to have credit risk; therefore, their credit quality is not disclosed.

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, 2021, the City's investments in external investment pools, money market mutual funds and investment agreements are unrated.

Note 3: Cash and Investments (Continued)

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, 2021, 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.

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer to 25% of the total investment pool. With respect to concentration risk, as of June 30, 2021, the City has not invested more than 25% of its total investments in any one issuer. In addition, GASB 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value. As of June 30, 2021, the City has investments with the following issuers, which exceed 5% of the total investment value:

Issuer	Reported amount	Percent of portfolio
Federal Home Loan Bank	\$ 1,935,767	9%
Federal Farm Credit Bank	1,847,650	9%
Federal Home Loan Mortgage Corporation	1,228,317	6%

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

City of Imperial Beach

Notes to Financial Statements June 30, 2021

Note 3: Cash and Investments (Continued)

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, 2021, the City had the following investments and original maturities:

Investments	Investment Maturities (in Years)			Total
	1 year or less	1 to 3 years	3 to 5 years	
State Pooled Investment (LAIF)	\$ 9,057,314	\$ -	\$ -	\$ 9,057,314
Federal Farm Credit Bank	-	1,847,650	-	1,847,650
Federal Home Loan Bank	990,974	944,793	-	1,935,767
Federal Home Loan Mortgage corporation	-	1,228,317	-	1,228,317
Federal National Mortgage Assoc.	-	399,954	-	399,954
U.S. Treasury Notes	1,510,339	1,816,450	701,734	4,028,523
Medium Term Corporate Notes	258,203	1,913,048	634,354	2,805,605
Supranational	-	124,588	-	124,588
Money Market	17,302	-	-	17,302
Fiscal Agent Cash	1,726	-	-	1,726
Total Investments	\$ 11,835,858	\$ 8,274,800	\$ 1,336,088	\$ 21,446,746

City of Imperial Beach

Notes to Financial Statements June 30, 2021

Note 3: 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, 2021:

Cash & Investments	Total	Fair Value Measurement Level		
		1	2	3
Federal Farm Credit Bank	\$ 1,847,650	\$ -	\$ 1,847,650	\$ -
Federal Home Loan Bank	1,935,767	-	1,935,767	-
Federal Home Loan Mortgage corporation	1,228,317	-	1,228,317	-
Federal National Mortgage Assoc.	399,954	-	399,954	-
U.S. Treasury Notes	4,028,523	-	4,028,523	-
Medium Term Corporate Notes	2,805,605	-	2,805,605	-
Supranational	124,588	-	124,588	-
Money Market	17,302	-	17,302	-
Total	12,387,706	\$ -	\$ 12,387,706	\$ -
<u>Investments not subject to fair value</u>				
State Pooled Investment (LAIF)	9,057,314			
Cash with Fiscal Agents				
Money Market Funds	1,726			
Total Investments	\$ 21,446,746			

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, 2021

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Transfers	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	10,299,509	(10,193,544)	2,625,392	-	2,731,357
Total Capital Assets, Not Being Depreciated	25,394,368	(10,193,544)	2,625,392	-	17,826,216
Capital assets, being depreciated:					
Structures and improvements	11,635,179	292,785	14,642	-	11,942,606
Equipment and vehicles	6,109,550	-	-	(135,504)	5,974,046
Infrastructure	39,268,706	9,900,759	-	-	49,169,465
Total Capital Assets, Being Depreciated	57,013,435	10,193,544	14,642	(135,504)	67,086,117
Less accumulated depreciation:					
Structures and improvements	(6,954,988)	-	(583,573)	-	(7,538,561)
Equipment and vehicles	(5,087,461)	-	(275,787)	135,504	(5,227,744)
Infrastructure	(12,289,663)	-	(1,212,670)	-	(13,502,333)
Total Accumulated Depreciation	(24,332,112)	-	(2,072,030)	135,504	(26,268,638)
Total Capital Assets, Being Depreciated, Net	32,681,323	10,193,544	(2,057,388)	-	40,817,479
Governmental Activities Capital Assets, Net	\$ 58,075,691	\$ -	\$ 568,004	\$ -	\$ 58,643,695

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

Governmental Activities:	
General Government	\$ 245,536
Public Safety	58,637
Public Works	1,259,364
Parks, Recreation and Senior Center	307,699
Internal Service Funds	200,794
Total Governmental Activities	\$ 2,072,030

City of Imperial Beach

**Notes to Financial Statements
June 30, 2021**

Note 4: Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Construction-in-progress	\$ 1,624,864	\$ 302,244	\$ -	\$ 1,927,108
Total Capital Assets, Not Being Depreciated	<u>1,624,864</u>	<u>302,244</u>	<u>-</u>	<u>1,927,108</u>
Capital assets, being depreciated:				
Sewer lines and pump stations	13,412,696	9,580	-	13,422,276
Total Capital Assets, Being Depreciated	<u>13,412,696</u>	<u>9,580</u>	<u>-</u>	<u>13,422,276</u>
Less accumulated depreciation:				
Sewer lines and pump stations	(5,358,804)	(289,559)	-	(5,648,363)
Total Accumulated Depreciation	<u>(5,358,804)</u>	<u>(289,559)</u>	<u>-</u>	<u>(5,648,363)</u>
Total Capital Assets, Being Depreciated, Net	<u>8,053,892</u>	<u>(279,979)</u>	<u>-</u>	<u>7,773,913</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,678,756</u>	<u>\$ 22,265</u>	<u>\$ -</u>	<u>\$ 9,701,021</u>

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

Business-Type Activities:	
Sewer	<u>\$ 289,559</u>

Note 5: 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.

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, 2021, amounts to \$272,465 and is offset by allowance. The outstanding balance at June 30, 2021, is \$902,073, 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, 2021, amounts to \$217,431 and is offset by allowance. The loan has not been fully disbursed at June 30, 2021. The outstanding balance at June 30, 2021, is \$703,885, including accrued interest.

Note 5: Loans Receivable (Continued)

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, 2021, amounts to \$710,901 and is offset by allowance. The outstanding balance at June 30, 2021, is \$2,655,901, including accrued interest.

American Legion Loan

The Imperial Beach Housing Authority and Hitzke Development Corporation entered into an Affordable Housing Agreement for the development of a mixed-use affordable housing development project and new American Legion Post. The Authority authorized financing for the Project for an amount not to exceed \$4,100,000 to construct thirty (30) units of affordable housing consisting of twenty-nine (29) affordable residential rental units and one manager's unit. Monthly principal and interest payments are required to be paid within 30 days of completion of the annual audit equivalent to 50% of the residual receipts generated by the projects audited records. Accrued interest at June 30, 2021, amounts to \$1,123,455 and is offset by allowance. The outstanding balance at June 30, 2021, is \$5,223,455, including accrued interest.

City of Imperial Beach

Notes to Financial Statements June 30, 2021

Note 5: Loans Receivable (Continued)

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. The outstanding balance at June 30, 2021, is \$908,515.

Total loans receivable at June 30, 2021, amounts to \$10,393,829, 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.

Note 6: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2021 is as follows:

Due To/Due from Other Funds

Funds	Due to other funds		Total
	Non-Major Governmental Funds	Internal Service Funds	
Due from Other Funds:			
General Fund	\$ 438,565	\$ 347,158	\$ 785,723
Total	\$ 438,565	\$ 347,158	\$ 785,723

The General Fund is owed \$785,723 from non-major governmental funds for temporary negative cash and investments.

City of Imperial Beach

**Notes to Financial Statements
June 30, 2021**

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

Interfund Transfers

	Transfer In		Total
	General Fund	Non-major Governmental Funds	
<u>Transfers Out</u>			
General Fund	\$ -	\$ 5,405	\$ 5,405
Non-Major Governmental Funds	687,424	-	687,424
Total	<u>\$ 687,424</u>	<u>\$ 5,405</u>	<u>\$ 692,829</u>

Transfers into the General Fund totaling \$654,500 were made from the Gas Tax Fund and Prop A Tax Fund to support street maintenance and transportation costs. Transfer into the General Fund of \$12,548 from the CIP 2010 Bond Fund were to dissolve the fund due to the project being complete and the bond refunded. Transfer from LLEBG Fund to General Funds was to clear residual balances from defunct grant fund (fund dissolved).

Transfer into the Lighting District #67 Fund totaling \$5,405 was made from the General Fund to dissolve the fund.

Note 7: 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 position by the City that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The City has two items that are reportable on the Statement of Net Position. One relates to outflows from changes in the net pension liability (Note 11). Governmental activities and Business-Type Activities recorded deferred outflows of resources related to pension of \$5,722,809 and \$129,931, respectively. The other relates to the outflows from changes in total OPEB liability (Note 12). Governmental activities and Business-Type Activities recorded deferred outflows of resources related to OPEB of \$1,152,772 and \$26,173, respectively.

Note 7: Deferred Outflows and Inflows of Resources (Continued)

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 position by the City that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The item that is reportable on the Statement of Net Position are inflows from changes in the net pension liability (Note 11). Governmental activities and Business-Type Activities recorded deferred inflows of resources related to pension of \$2,809,292 and \$63,782, respectively. Secondly, reported on the governmental fund balance sheet is the reporting of unavailable revenues. Deferred inflows of resources related to unavailable revenues reported as of June 30, 2021 were \$77,372.

Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds will therefore include additional deferred inflows of resources for amounts that have been earned but are not available to finance expenditures in the current period. The City has one item that is reportable on the Governmental Fund Balance Sheet: this item relates to unavailable revenue of \$7,608, civil penalties revenues of \$37,615, and other revenues of \$32,149.

Note 8: Unearned Revenue

General Fund unearned revenue consists of \$100,000 relating to a lease with the Unified Port District of San Diego. The City entered into an agreement with the Port District in 1993 whereby the Port District leases the Pier Plaza and a parking lot from the city. The District paid the City \$1,800,000 at the beginning of the lease. Each year of the 30-year contract, the City recognizes \$60,000 of income and reduces the unearned revenue. As of June 30, 2021, \$100,000 remains of this unearned lease revenue.

Parks Maintenance CIP Fund unearned revenue consists of a grant of \$150,000 received from the Keutz Kamp Foundation for the Veterans Park improvement project. As of June 30, 2021, The full amount remains as unearned revenue.

City of Imperial Beach

Notes to Financial Statements June 30, 2021

Note 9: 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, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 957,849</u>	<u>\$ 605,144</u>	<u>\$ 491,378</u>	<u>\$ 1,071,615</u>	<u>\$ 529,896</u>

b. Compensated Absences - Business-Type Activities

The following is a summary of changes in Proprietary Fund compensated absences for the year ended June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 42,846</u>	<u>\$ 37,603</u>	<u>\$ 55,237</u>	<u>\$ 25,212</u>	<u>\$ 25,212</u>

Note 10: Limited Obligation Improvement Bonds

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

The final bond payment was made in September 2020. This bond liability had not been recorded in the accompanying financial statements in compliance with GASB Statement No. 6.

III. OTHER INFORMATION

Note 11: 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 the 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, 2021

Note 11: Pensions (Continued)

The Plan's provisions and benefits in effect at June 30, 2021 are summarized as follows:

	Miscellaneous Plan		
	<u>Classic</u>	<u>Second Tier</u>	<u>PEPRA</u>
	Prior to	On or after	On or after
Hire date	<u>March 9, 2012</u>	<u>March 9, 2012 but prior to January 1, 2013</u>	<u>January 1, 2013</u>
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	14.194%	8.794%	7.732%
	Safety Plan		
	<u>Lifeguard</u>	<u>Lifeguard Second Tier</u>	<u>Other Safety PEPRA</u>
	Prior to	On or after	On or after
Hire date	<u>March 9, 2012</u>	<u>March 9, 2012 but prior to January 1, 2013</u>	<u>January 1, 2013</u>
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	19.214%	18.152%	13.044%
	<u>Fire</u>	<u>Fire PEPRA</u>	
	Prior to	On or after	
Hire date	<u>March 9, 2012</u>	<u>January 1, 2013</u>	
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	23.674%	13.044%	

Note 11: Pensions (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and 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, 2021 were \$1,386,331. The actual employer payments of \$1,226,832 made to CalPERS by the City during the measurement period ended June 30, 2020 differed from the City's proportionate share of the employer's contributions of \$2,321,193 by \$1,094,361, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Note 11: Pensions (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
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 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

⁽¹⁾ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

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.

Note 11: Pensions (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Asset Class¹	Assumed Asset Allocation	Real Return Years 1 - 10²	Real Return Years 11+³
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92%)

¹ In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period

³ An expected inflation of 2.92% used for this period

Change of Assumptions

The Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

Note 11: Pensions (Continued)

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. 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.

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	Plan Fiduciary	Plan Net Pension
	<u>Pension Liability</u>	<u>Net Position</u>	<u>Liability</u>
Balance at: 6/30/2019 (VD)	\$ 55,246,673	\$ 47,019,429	\$ 8,227,244
Balance at: 6/30/2020 (MD)	58,454,949	48,949,972	9,504,977
Net Changes during 2019-20	<u>\$ 3,208,276</u>	<u>\$ 1,930,543</u>	<u>\$ 1,277,733</u>

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

City of Imperial Beach

**Notes to Financial Statements
June 30, 2021**

Note 11: Pensions (Continued)

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, 2019 and 2020 measurement dates was as follows:

Proportionate Share - June 30, 2019	0.08029%
Proportionate Share - June 30, 2020	<u>0.08736%</u>
Change - Increase (Decrease)	<u><u>0.00707%</u></u>

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 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	\$ 17,346,470	\$ 9,504,977	\$ 3,043,469

Subsequent Events

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

Amortization of Deferred Outflows and Deferred Inflows of Resources

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

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

Note 11: Pensions (Continued)

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

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

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

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

The EARSL for PERF C for the measurement period ending June 30, 2020 is 3.8 years, which was obtained by dividing the total service years of 548,581 (the sum of remaining service lifetimes of the active employees) by 145,663 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

As of the start of the measurement period (July 1, 2019), the City's net pension liability was \$8,227,244. For the measurement period ending June 30, 2020 (the measurement date), the City incurred a pension expense of \$3,247,886.

City of Imperial Beach

**Notes to Financial Statements
June 30, 2021**

Note 11: Pensions (Continued)

As of June 30, 2021, 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	\$ -	\$ 52,615
Difference between expected and actual experience	593,679	-
Difference between projected and actual investment earnings	250,529	-
Differences between employer's Contributions and Proportionate share of contributions	3,060,858	892,955
Change in employer's proportion	561,343	1,927,504
Pension contributions subsequent to measurement date	<u>1,386,331</u>	<u>-</u>
Total	<u>\$ 5,852,740</u>	<u>\$ 2,873,074</u>

The amounts above are net of outflows and inflows recognized in the 2019-20 measurement period expense. Contributions subsequent to the measurement date of \$1,386,331 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>
2022	\$ 661,481
2023	682,720
2024	127,113
2025	122,021
2026	-
Thereafter	-

Payable to the Pension Plan

At June 30, 2021, the City reported a payable of \$45,930 for the outstanding amount of contributions to the pension plan required for the year then ended.

City of Imperial Beach

Notes to Financial Statements June 30, 2021

Note 11: Pensions (Continued)

Allocation of the Proportional Share of the Net Pension Liability

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

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

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

	<u>Percentage Allocation</u>
General Government	26.93%
Public Safety	52.16%
Public Works	14.70%
Parks, Recreation and Senior Center	6.21%

Note 12: 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 \$143.00 per month for of all premiums charged under the health benefit plan for all eligible employees and qualified family members. These benefits are provided per contract between the City and the employee associations. A separate financial report is not available for the plan. This plan is not administered through a qualifying trust.

Employees Covered

As of the June 30, 2021 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees benefit payments	78
Inactive employees entitled to but not yet receiving benefit payments	-
Participating active employees	19
Total	<u>97</u>

Note 12: Other Post-Employment Benefits (Continued)

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or employee associations. Currently, contributions are not required from plan members. A contribution of \$60,390 was made during the 2020-2021 fiscal year. The purpose of the contribution was to pay current year premiums for retirees.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2021 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2020 based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	2.16%
Inflation	2.75%
Salary Increases	2.75%
Investment Rate of Return	2.16%
Mortality Rate	2017 CalPERS Mortality Rates
Pre-Retirement Turnover	2017 CalPERS Rates
Healthcare Trend Rate	4.00%

Discount Rate

The discount rate was 2.16% per year net of expenses. This is based on the Bond Buyer 20 Bond Index.

Change of Assumptions

The discount rate was changed from 2.2% to 2.16% for the measurement date as of June 30, 2021.

City of Imperial Beach

**Notes to Financial Statements
June 30, 2021**

Note 12: Other Post-Employment Benefits (Continued)

Changes in the OPEB Liability

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

	Total OPEB Liability
Balance at June 30, 2020 (Valuation Date: June 30, 2020)	<u>\$ 2,303,311</u>
Changes recognized for the measurement period:	
Service cost	136,440
Interest	51,105
Changes of assumptions	13,465
Benefit payments	<u>(97,152)</u>
Net changes	103,858
Balance at June 30, 2021	<u>\$ 2,407,169</u>

Sensitivity of the total 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, 2021:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 2,764,431	\$ 2,407,169	\$ 2,114,667

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, 2021:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 2,024,772	\$ 2,407,169	\$ 2,900,182

City of Imperial Beach

**Notes to Financial Statements
June 30, 2021**

Note 12: Other Post-Employment Benefits (Continued)

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

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$299,697. As of fiscal year ended June 30, 2021, 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>
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 143,321	\$ -
Changes of assumptions	1,035,624	-
Total	<u>\$ 1,178,945</u>	<u>\$ -</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>
2022	\$ 112,152
2023	112,152
2024	112,152
2025	112,152
2026	112,152
Thereafter	618,185

Note 13: 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.

City of Imperial Beach

Notes to Financial Statements June 30, 2021

Note 13: Self-Insurance Program (Continued)

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 \$792,000 reported at June 30, 2021, is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The above amount includes an estimate for incurred but not reported claims.

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

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

	<u>2019-2020</u>	<u>2020-2021</u>
Claims outstanding at beginning of year	\$ 1,949,504	\$ 963,000
Claims and changes in estimates	(846,985)	41,602
Claim payments	<u>(139,519)</u>	<u>(212,602)</u>
Claims outstanding at end of year	<u>\$ 963,000</u>	<u>\$ 792,000</u>

Note 14: Commitments and Contingencies

THE AFFORDABLE HOUSING COALITION OF SAN DIEGO COUNTY V. TRACY SANDOVAL, ET AL. - The Affordable Housing Coalition of San Diego County ("Petitioner") has filed a petition for 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 deferral and loans owed to the Low and Moderate Income Housing Fund ("Housing Fund"), recognized as "enforceable obligations" under the Dissolution Laws and placed on the Successor Agency's Recognized Obligation Payment Schedule ("ROPS") for future payment with Redevelopment Property Tax Trust Funds ("RPTTF"). (See Health & Safety Code §§34172(c),(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 Affordable Housing obligations did not survive dissolution, are not enforceable obligations, and denied the Petition for Writ of Mandate. There is every reason to anticipate that Judge Kenny's denial of the Petition for Writ of Mandate will be upheld on appeal. However, should Judge Kenny's ruling be overturned, the case would go back to the Superior Court, and Judge Kenny would then look at the question of the amount of unmet housing obligations owed by Imperial Beach. The biggest concern for the City and the Successor Agency is how any potential award would be ordered paid if the unmet housing obligations are deemed by the Court to exist under the law. It is estimated that the unmet inclusionary housing obligations of the former Imperial Beach Redevelopment Agency as of January 2012, to be built through 2032, is 42 units at an estimated \$155,000 per unit for a total estimated cost of \$8,962,000.

Note 15: 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.

City of Imperial Beach

Notes to Financial Statements June 30, 2021

Note 15: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

a. Cash and Investments

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

Cash and investments pooled with the City	\$ 1,303,319
Cash and investments with fiscal agent	<u>1,726</u>
	<u><u>\$ 1,305,045</u></u>

b. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2021, follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Public Offerings:					
2013 Tax Allocation Bonds	\$ 14,740,000	\$ -	\$ (855,000)	\$ 13,885,000	\$ 900,000
2013 Tax Allocation Bonds Premium	357,572	-	(27,506)	330,066	-
2020 Tax Allocation Bonds	14,490,000	-	(710,000)	13,780,000	-
2020 Tax Allocation Bonds Premium	<u>2,754,907</u>	-	<u>(140,009)</u>	<u>2,614,898</u>	-
Total Public Offerings	<u>\$32,342,479</u>	<u>\$ -</u>	<u>\$ (1,732,515)</u>	<u>\$30,609,964</u>	<u>\$ 900,000</u>

Tax Allocation Bonds, 2013

In January 2014, the Imperial Beach Public Financing Authority issued \$17,260,000 Tax Allocation Bonds, 2013. The proceeds of the bonds were to defease the 2003 Series A Tax Allocation Bonds. Interest on the bonds is payable semiannually and principal payments are due annually. Debt service payments occur from June 1, 2018, through June 1, 2033. Interest rates on the bonds range from 3.625% to 5% per annum. The balance at June 30, 2021, excluding unamortized original issue premium of \$330,066 is \$13,885,000.

The outstanding 2013 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, 2021

Note 15: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

b. Long-Term Debt (Continued)

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

Year Ending June 30,	2013 Tax Allocation Refunding Bonds	
	Principal	Interest
2022	\$ 900,000	\$ 646,913
2023	950,000	601,913
2024	985,000	554,413
2025	1,030,000	518,706
2026	1,075,000	467,206
2027-2031	6,085,000	1,612,825
2032-2033	2,860,000	216,250
Totals	\$ 13,885,000	\$ 4,618,226

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 4.000% per annum. The balance at June 30, 2021, excluding unamortized original issue premium of \$2,614,898 is \$13,780,000.

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

City of Imperial Beach

Notes to Financial Statements June 30, 2021

Note 15: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

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

Year Ending June 30,	2020 Tax Allocation Refunding Bonds	
	Principal	Interest
2022	\$ -	\$ 551,200
2023	-	551,200
2024	-	551,200
2025	-	551,200
2026	-	551,200
2027-2031	-	2,756,000
2032-2036	4,800,000	2,569,200
2037-2040	8,980,000	916,400
Totals	\$ 13,780,000	\$ 8,997,600

Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low- and Moderate-Income Housing set-aside and pass-through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low- and Moderate-Income Housing projects and to defease previously issued bonds. Assembly Bill 1 X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$41,280,826 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$3,069,411 and the debt service obligation on the bonds was \$2,828,334.

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 13.

City of Imperial Beach

Notes to Financial Statements June 30, 2021

Note 16: Restricted Components of Net Position (Continued)

The restricted component of net position are assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. In fiscal year 2021, the City did not have any components of net position restricted by enabling legislation.

The restricted component of net position at June 30, 2021, for governmental activities is as follows:

Restricted for Community Development Projects:		
Housing Authority		\$ 664,276
Restricted for Public Works:		
Gas Tax	\$ 1,344	
Prop A Tax	2,016	
RMRA	<u>212,758</u>	
Total		216,118
Restricted for Public Safety:		
Supplemental Law Enforcement		56,727
Restricted for Parks, Recreation and Senior Center:		
Parks Maintenance	<u>124,902</u>	
Total		<u>124,902</u>
Total Restricted Component of Net Position - Government Activities		<u><u>\$ 1,062,023</u></u>

City of Imperial Beach

Notes to Financial Statements June 30, 2021

Note 17: Restatements

A restatement in the amount of \$92,436 was made in the CIP 2010 Bond fund to adjust activity from the prior year. A total restatement of \$430,096 was made in the custodial funds as a result of the implementation of GASB 84 as described in Note 1.

<u>C.I.P. 2010 Bond - Capital Projects Fund</u>	
Fund Balance, Beginning of Year, as Previously Stated	\$ (80,775)
Restatement	<u>92,436</u>
Fund Balances, Beginning of Year, as Restated	<u>\$ 11,661</u>
<u>Government-Wide - Governmental Activities</u>	
Net Position, as previously reported	\$ 65,493,296
Restatement	<u>92,436</u>
Net Position, as restated	<u>\$ 65,585,732</u>
<u>Custodial Funds - Fiduciary Funds</u>	
Fund Balance, Beginning of Year, as Previously Stated	\$ -
Restatement	<u>430,096</u>
Fund Balances, Beginning of Year, as Restated	<u>\$ 430,096</u>

Note 18: Subsequent Events

On March 11, 2021, HR 1319, the American Rescue Plan Act of 2021 (ARPA), was signed into law. ARPA was designed to provide assistance to individuals, businesses and, state and local governments to assist in the economic recovery from the ongoing COVID-19 pandemic. The City was granted an allocation of \$6,564,231, delivered in two tranches of \$3,282,116 in July 2021 and July 2022.

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 ***

<u>Measurement Date</u>	<u>Employer's Proportion of the Collective Net Pension Liability¹</u>	<u>Employer's Proportionate Share of the Collective Net Pension Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll</u>	<u>Pension Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
6/30/2014	0.09955%	\$ 6,194,125	\$ 4,376,672	141.53%	79.82%
6/30/2015	0.11650%	7,997,144	4,287,307	186.53%	80.86%
6/30/2016	0.12284%	10,629,198	4,984,408	213.25%	75.81%
6/30/2017	0.12522%	12,418,086	5,217,228	238.02%	74.88%
6/30/2018	0.12807%	12,341,076	5,241,053	235.47%	76.23%
6/30/2019	0.08029%	8,227,242	5,670,863	145.08%	85.11%
6/30/2020	0.08736%	9,504,977	5,774,101	164.61%	83.84%

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.

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

City of Imperial Beach

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

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

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

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

City of Imperial Beach

Schedule of Changes in the Total OPEB Liability and Related Ratios As of June 30, 2021 for the Last Ten Fiscal Years ⁽¹⁾

Measurement Date (June 30) Report Date (June 30)	2020 2021	2019 2020	2018 2019	2017 2018
Total OPEB Liability				
Service cost	\$ 136,440	\$ 42,506	\$ 37,920	\$ 36,905
Interest	51,105	31,887	28,462	28,779
Differences between expected and actual experience	-	170,621	-	-
Changes in assumptions	13,465	1,180,019	41,088	-
Benefit payments	<u>(97,152)</u>	<u>(23,042)</u>	<u>(770)</u>	<u>(20,915)</u>
Net change in total OPEB liability	103,858	1,401,991	106,700	44,769
Total OPEB liability - beginning	<u>2,303,311</u>	<u>901,320</u>	<u>794,620</u>	<u>749,851</u>
Total OPEB liability - ending (a)	<u><u>\$2,407,169</u></u>	<u><u>\$2,303,311</u></u>	<u><u>\$ 901,320</u></u>	<u><u>\$ 794,620</u></u>
 Covered-Employee payroll	 \$6,059,385	 \$5,878,059	 \$5,484,385	 \$5,388,899
Total OPEB liability as a percentage of Covered-Employee payroll	39.73%	39.18%	16.43%	14.75%

Notes to Schedule:

The City does not accumulate assets in a qualifying trust for future OPEB benefits, and as such, only the total OPEB liability is shown.

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

Changes in assumptions:

For measurement date June 30, 2020, the discount rate was changed from 2.20% to 2.16%

⁽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.

City of Imperial Beach

Budgetary Comparison Schedule by Department General Fund Year Ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 12,785,901	\$ 12,785,901	\$ 12,785,901	\$ -
Resources (Inflows):				
Taxes	11,891,222	13,095,822	13,976,753	880,931
Licenses and permits	840,000	655,700	655,430	(270)
Intergovernmental	895,000	2,377,972	1,604,365	(773,607)
Charges for services	6,049,893	6,004,549	6,080,893	76,344
Use of money and property	454,000	582,000	392,234	(189,766)
Fines and forfeitures	230,000	142,400	147,394	4,994
Miscellaneous	124,000	114,800	164,338	49,538
Transfers in	958,400	958,400	687,424	(270,976)
Amounts Available for Appropriations	34,228,416	36,717,544	36,494,732	(222,812)
Charges to Appropriation (Outflow):				
General government				
Mayor/City Council	176,971	184,671	184,328	343
City Clerk's Office	333,111	368,011	365,522	2,489
City Manager	590,336	1,406,301	1,274,607	131,694
Human Resources	237,956	237,956	216,775	21,181
Administrative Services	744,129	901,829	903,914	(2,085)
City Attorney	155,000	174,800	177,023	(2,223)
Community Development	814,418	844,781	684,585	160,196
Facilities Maintenance	410,883	398,883	345,884	52,999
Non-Departmental	1,527,500	1,554,500	1,555,302	(802)
Public safety				
Law Enforcement Contract	7,977,397	7,964,097	7,499,230	464,867
Fire Protection	2,288,141	2,622,105	2,605,713	16,392
Ocean/Beach Safety	1,376,671	1,551,871	1,530,980	20,891
Building and Housing Inspection	360,399	395,399	248,608	146,791
Animal Control	300,000	305,000	304,164	836
Code Enforcement	163,253	161,453	156,062	5,391
Parks, recreation and senior center				
Recreation	100,000	100,000	58,137	41,863
Park Maintenance	594,396	594,396	578,595	15,801
Senior Services	48,899	48,899	1,948	46,951
Tideland Maintenance	972,598	972,598	766,292	206,306
Public works				
Street Maintenance	1,038,301	1,161,101	1,167,148	(6,047)
Administration	289,870	296,170	293,351	2,819
Solid Waste Management	61,738	93,249	94,943	(1,694)
Storm Water	1,165,034	965,334	448,861	516,473
Capital outlay	-	625,759	175,383	450,376
Transfers out	17,000	2,000	5,405	(3,405)
Total Charges to Appropriations	21,744,001	23,931,163	21,642,760	2,288,403
Budgetary Fund Balance, June 30	\$ 12,484,415	\$ 12,786,381	\$ 14,851,972	\$ 2,065,591

See Notes to Required Supplementary Information

Note 1: General Budget Policies

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

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

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

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

Under Article XIII-B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset by a deficit in the following year. For the fiscal year ended June 30, 2021, 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, 2021

Note 1: General Budget Policies (Continued)

A project-length budget is adopted for the capital projects funds. The debt service fund is governed by bond covenants; therefore, a formal budget is not adopted. Thus, the City does not show a budget comparison debt service funds. In addition, the Housing Authority, local law enforcement block grant, CDBG grant fund, and the CIP 2010 Fund did not adopt a budget; therefore, a budget comparison is not shown.

a. Excess of Expenditures Over Appropriations

Excess expenditures over appropriations were as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
General government			
Administrative Services	\$ 903,914	\$ 901,829	\$ 2,085
City Attorney	177,023	174,800	2,223
Non-Departmental	1,555,302	1,554,500	802
Public works			
Street Maintenance	1,167,148	1,161,101	6,047
Solid Waste Management	94,943	93,249	1,694

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, 2021**

	Special Revenue Funds			
	Gas Tax	Prop A Tax	CDBG Grant	Supplemental Law Enforcement
Assets:				
Pooled cash and investments	\$ 1,344	\$ -	\$ -	\$ 95,294
Due from other governments	-	30,473	49,685	-
Total Assets	\$ 1,344	\$ 30,473	\$ 49,685	\$ 95,294
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 27,057	\$ 30,150	\$ 38,567
Unearned revenues	-	-	-	-
Due to other funds	-	1,400	21,040	-
Total Liabilities	-	28,457	51,190	38,567
Fund Balances (Deficit):				
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	56,727
Parks, recreation and senior center	-	-	-	-
Public works	1,344	2,016	-	-
Unassigned	-	-	(1,505)	-
Total Fund Balances (Deficit)	1,344	2,016	(1,505)	56,727
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,344	\$ 30,473	\$ 49,685	\$ 95,294

City of Imperial Beach

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021**

	Special Revenue Funds			
	Local Law Enforcement Block Grant	Lighting District #67	RMRA	Housing Authority
Assets:				
Pooled cash and investments	\$ -	\$ -	\$ 119,647	\$ 664,661
Due from other governments	-	-	94,777	-
Total Assets	\$ -	\$ -	\$ 214,424	\$ 664,661
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,666	\$ 385
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	-	1,666	385
Fund Balances (Deficit):				
Restricted for:				
Community development projects	-	-	-	664,276
Public safety	-	-	-	-
Parks, recreation and senior center	-	-	-	-
Public works	-	-	212,758	-
Unassigned	-	-	-	-
Total Fund Balances (Deficit)	-	-	212,758	664,276
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ -	\$ -	\$ 214,424	\$ 664,661

City of Imperial Beach

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021**

(Continued)

	<u>Capital Projects Funds</u>			<u>Total Governmental Funds</u>
	<u>C.I.P. 2010 Bond</u>	<u>Parks Maintenance CIP</u>	<u>Capital Projects</u>	
Assets:				
Pooled cash and investments	\$ -	\$ 206,830	\$ -	\$ 1,087,776
Due from other governments	-	185,462	383,216	743,613
Total Assets	\$ -	\$ 392,292	\$ 383,216	\$ 1,831,389
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 117,390	\$ -	\$ 215,215
Unearned revenues	-	150,000	-	150,000
Due to other funds	-	-	416,125	438,565
Total Liabilities	-	267,390	416,125	803,780
Fund Balances (Deficit):				
Restricted for:				
Community development projects	-	-	-	664,276
Public safety	-	-	-	56,727
Parks, recreation and senior center	-	124,902	-	124,902
Public works	-	-	-	216,118
Unassigned	-	-	(32,909)	(34,414)
Total Fund Balances (Deficit)	-	124,902	(32,909)	1,027,609
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ -	\$ 392,292	\$ 383,216	\$ 1,831,389

City of Imperial Beach

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2021**

	Special Revenue Funds			Supplemental
	Gas Tax	Prop A Tax	CDBG Grant	Law Enforcement
Revenues:				
Assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	624,375	652,000	49,685	156,727
Charges for services	-	25,838	-	-
Use of money and property	2,493	1,126	-	-
Miscellaneous	-	266,325	-	-
Total Revenues	626,868	945,289	49,685	156,727
Expenditures:				
Current:				
Public safety	-	-	-	231,403
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	124,735	851,519	51,190	-
Total Expenditures	124,735	851,519	51,190	231,403
Excess (Deficiency) of Revenues Over (Under) Expenditures	502,133	93,770	(1,505)	(74,676)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(525,000)	(129,500)	-	-
Total Other Financing Sources (Uses)	(525,000)	(129,500)	-	-
Net Change in Fund Balances	(22,867)	(35,730)	(1,505)	(74,676)
Fund Balances, Beginning of Year, as Restated	24,211	37,746	-	131,403
Fund Balances (Deficit), End of Year	\$ 1,344	\$ 2,016	\$ (1,505)	\$ 56,727

City of Imperial Beach

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2021**

	Special Revenue Funds			
	Local Law Enforcement Block Grant	Lighting District #67	RMRA	Housing Authority
Revenues:				
Assessments	\$ -	\$ 528	\$ -	\$ -
Intergovernmental	-	-	520,099	-
Charges for services	-	-	-	-
Use of money and property	-	-	1,447	31,606
Miscellaneous	-	-	-	-
Total Revenues	-	528	521,546	31,606
Expenditures:				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	2,220
Public works	-	-	622,933	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	622,933	2,220
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	528	(101,387)	29,386
Other Financing Sources (Uses):				
Transfers in	-	5,405	-	-
Transfers out	(20,376)	-	-	-
Total Other Financing Sources (Uses)	(20,376)	5,405	-	-
Net Change in Fund Balances	(20,376)	5,933	(101,387)	29,386
Fund Balances, Beginning of Year, as Restated	20,376	(5,933)	314,145	634,890
Fund Balances (Deficit), End of Year	\$ -	\$ -	\$ 212,758	\$ 664,276

City of Imperial Beach

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2021**

(Continued)

	<u>Capital Projects Funds</u>			<u>Total Governmental Funds</u>
	<u>C.I.P. 2010 Bond</u>	<u>Parks Maintenance CIP</u>	<u>Capital Projects</u>	
Revenues:				
Assessments	\$ -	\$ -	\$ -	\$ 528
Intergovernmental	-	-	359,128	2,362,014
Charges for services	-	25,161	-	50,999
Use of money and property	887	(186)	-	37,373
Miscellaneous	-	185,468	-	451,793
Total Revenues	887	210,443	359,128	2,902,707
Expenditures:				
Current:				
Public safety	-	-	-	231,403
Community development	-	-	-	2,220
Public works	-	-	-	622,933
Capital outlay	-	280,752	129,522	1,437,718
Total Expenditures	-	280,752	129,522	2,294,274
Excess (Deficiency) of Revenues Over (Under) Expenditures	887	(70,309)	229,606	608,433
Other Financing Sources (Uses):				
Transfers in	-	-	-	5,405
Transfers out	(12,548)	-	-	(687,424)
Total Other Financing Sources (Uses)	(12,548)	-	-	(682,019)
Net Change in Fund Balances	(11,661)	(70,309)	229,606	(73,586)
Fund Balances, Beginning of Year, as Restated	11,661	195,211	(262,515)	1,101,195
Fund Balances (Deficit), End of Year	\$ -	\$ 124,902	\$ (32,909)	\$ 1,027,609

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
Gas Tax
Year Ended June 30, 2021**

	<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	\$ 24,211	\$ 24,211	\$ 24,211	\$ -
Resources (Inflows):				
Intergovernmental	1,211,335	1,211,335	624,375	(586,960)
Use of money and property	-	-	2,493	2,493
Amounts Available for Appropriations	1,235,546	1,235,546	651,079	(584,467)
Charges to Appropriation (Outflows):				
Capital outlay	552,528	552,528	124,735	427,793
Transfers out	725,000	725,000	525,000	200,000
Total Charges to Appropriations	1,277,528	1,277,528	649,735	627,793
Budgetary Fund Balance, June 30	\$ (41,982)	\$ (41,982)	\$ 1,344	\$ 43,326

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
Prop A Tax
Year Ended June 30, 2021**

	<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	\$ 37,746	\$ 37,746	\$ 37,746	\$ -
Resources (Inflows):				
Intergovernmental	1,225,451	1,225,451	652,000	(573,451)
Charges for services	-	-	25,838	25,838
Use of money and property	-	-	1,126	1,126
Miscellaneous	-	-	266,325	266,325
Amounts Available for Appropriations	1,263,197	1,263,197	983,035	(280,162)
Charges to Appropriation (Outflows):				
Capital outlay	1,990,838	1,990,838	851,519	1,139,319
Transfers out	233,400	233,400	129,500	103,900
Total Charges to Appropriations	2,224,238	2,224,238	981,019	1,243,219
Budgetary Fund Balance, June 30	\$ (961,041)	\$ (961,041)	\$ 2,016	\$ 963,057

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
Supplemental Law Enforcement
Year Ended June 30, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 131,403	\$ 131,403	\$ 131,403	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	156,727	56,727
Amounts Available for Appropriations	231,403	231,403	288,130	56,727
Charges to Appropriation (Outflows):				
Public safety	100,000	100,000	231,403	(131,403)
Total Charges to Appropriations	100,000	100,000	231,403	(131,403)
Budgetary Fund Balance, June 30	\$ 131,403	\$ 131,403	\$ 56,727	\$ (74,676)

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
Lighting District #67
Year Ended June 30, 2021**

	<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	\$ (5,933)	\$ (5,933)	\$ (5,933)	\$ -
Resources (Inflows):				
Assessments	29,000	29,000	528	(28,472)
Transfers in	-	-	5,405	5,405
Amounts Available for Appropriations	23,067	23,067	-	(23,067)
Charges to Appropriation (Outflows):				
Parks and recreation	30,000	30,000	-	30,000
Total Charges to Appropriations	30,000	30,000	-	30,000
Budgetary Fund Balance, June 30	\$ (6,933)	\$ (6,933)	\$ -	\$ 6,933

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
RMRA
Year Ended June 30, 2021**

	<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	\$ 314,145	\$ 314,145	\$ 314,145	\$ -
Resources (Inflows):				
Intergovernmental	-	-	520,099	520,099
Use of money and property	-	-	1,447	1,447
Amounts Available for Appropriations	314,145	314,145	835,691	521,546
Charges to Appropriation (Outflows):				
Public works	599,611	599,611	622,933	(23,322)
Total Charges to Appropriations	599,611	599,611	622,933	(23,322)
Budgetary Fund Balance, June 30	\$ (285,466)	\$ (285,466)	\$ 212,758	\$ 498,224

City of Imperial Beach

**Budgetary Comparison Schedule – Capital Projects Funds
Parks Maintenance CIP
Year Ended June 30, 2021**

	<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	\$ 195,211	\$ 195,211	\$ 195,211	\$ -
Resources (Inflows):				
Charges for services	50,000	50,000	25,161	(24,839)
Use of money and property	-	-	(186)	(186)
Miscellaneous	194,454	194,454	185,468	(8,986)
Amounts Available for Appropriations	439,665	439,665	405,654	(34,011)
Charges to Appropriation (Outflows):				
Capital outlay	293,141	293,141	280,752	12,389
Total Charges to Appropriations	293,141	293,141	280,752	12,389
Budgetary Fund Balance, June 30	\$ 146,524	\$ 146,524	\$ 124,902	\$ (21,622)

City of Imperial Beach

**Budgetary Comparison Schedule – Capital Projects Funds
Capital Projects
Year Ended June 30, 2021**

	<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	\$ (262,515)	\$ (262,515)	\$ (262,515)	\$ -
Resources (Inflows):				
Intergovernmental	359,158	359,158	359,128	(30)
Amounts Available for Appropriations	96,643	96,643	96,613	(30)
Charges to Appropriation (Outflows):				
Capital outlay	119,123	119,123	129,522	(10,399)
Total Charges to Appropriations	119,123	119,123	129,522	(10,399)
Budgetary Fund Balance (Deficit), June 30	\$ (22,480)	\$ (22,480)	\$ (32,909)	\$ (10,429)

City of Imperial Beach

Combining Statement of Net Position Internal Service Funds June 30, 2021

	Vehicle Replacement & Maintenance	Self- Insurance	Technology & Communication	Facilities Repair & Maintenance	Total
Assets:					
Current:					
Pooled Cash and investments	\$ 410,888	\$ 1,137,385	\$ -	\$ 225,051	\$ 1,773,324
Prepaid costs	-	-	53,209	-	53,209
Due from other governments	29,662	-	-	-	29,662
Total Current Assets	440,550	1,137,385	53,209	225,051	1,856,195
Noncurrent:					
Capital assets, net of depreciation	553,526	-	-	3,459	556,985
Total Noncurrent Assets	553,526	-	-	3,459	556,985
Total Assets	994,076	1,137,385	53,209	228,510	2,413,180
Deferred Outflows of Resources:					
Deferred pension and related items	49,748	31,020	31,605	-	112,373
Deferred OPEB related items	10,021	6,248	6,366	-	22,635
Total Deferred Outflows of Resources	59,769	37,268	37,971	-	135,008
Liabilities:					
Current:					
Accounts payable	9,314	54,716	10,241	117,822	192,093
Accrued liabilities	3,967	4,186	3,310	-	11,463
Due to other funds	-	-	347,158	-	347,158
Compensated absences due in one year	3,269	3,447	766	-	7,482
Claims and judgments due in one year	-	146,000	-	-	146,000
Total Current Liabilities	16,550	208,349	361,475	117,822	704,196
Noncurrent:					
Compensated absences due in more than one year	548	13,229	-	-	13,777
Claims and judgments due in more than one year	-	646,000	-	-	646,000
Net pension liability	80,792	50,376	51,327	-	182,495
Total OPEB liability	20,461	12,758	12,999	-	46,218
Total Noncurrent Liabilities	101,801	722,363	64,326	-	888,490
Total Liabilities	118,351	930,712	425,801	117,822	1,592,686
Deferred Inflows of Resources:					
Deferred pension related items	24,421	15,227	15,515	-	55,163
Total Deferred Inflows of Resources	24,421	15,227	15,515	-	55,163
Net Position:					
Investment in capital assets	553,526	-	-	3,459	556,985
Unrestricted	357,547	228,714	(350,136)	107,229	343,354
Total Net Position (Deficit)	\$ 911,073	\$ 228,714	\$ (350,136)	\$ 110,688	\$ 900,339

City of Imperial Beach

**Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2021**

	Vehicle Replacement & Maintenance	Self- Insurance	Technology & Communication	Facilities Repair & Maintenance	Total
Operating Revenues:					
Sales and service charges	\$ 298,943	\$ 340,400	\$ 381,043	\$ 59,900	\$ 1,080,286
Miscellaneous	178,696	16,292	-	-	194,988
Total Operating Revenues	477,639	356,692	381,043	59,900	1,275,274
Operating Expenses:					
Services and supplies	262,800	73,076	425,484	144,652	906,012
Claims expense	-	392,371	-	-	392,371
Personnel and administrative	137,493	79,942	164,550	-	381,985
Depreciation expense	169,423	-	29,618	1,753	200,794
Total Operating Expenses	569,716	545,389	619,652	146,405	1,881,162
Operating Income (Loss)	(92,077)	(188,697)	(238,609)	(86,505)	(605,888)
Nonoperating Revenues (Expenses):					
Interest revenue	1,070	(3,434)	5,367	178	3,181
Total Nonoperating Revenues (Expenses)	1,070	(3,434)	5,367	178	3,181
Income (Loss) Before Transfers	(91,007)	(192,131)	(233,242)	(86,327)	(602,707)
Transfers in	-	110,480	-	-	110,480
Total Transfers	-	110,480	-	-	110,480
Changes in Net Position	(91,007)	(81,651)	(233,242)	(86,327)	(492,227)
Net Position (Deficit):					
Beginning of Year	1,002,080	310,365	(116,894)	197,015	1,392,566
End of Year	\$ 911,073	\$ 228,714	\$ (350,136)	\$ 110,688	\$ 900,339

City of Imperial Beach

Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2021

	Vehicle Replacement & Maintenance	Self- Insurance	Technology & Communication	Facilities Repair & Maintenance	Total
Cash Flows from Operating Activities:					
Cash received from/(paid to) interfund service provided	\$ 462,378	\$ 356,692	\$ 381,043	\$ 59,900	\$ 1,260,013
Cash paid to suppliers for goods and services	(262,284)	(607,901)	(480,417)	(45,617)	(1,396,219)
Cash paid to employees for services	(204,986)	(76,687)	(190,109)	-	(471,782)
Net Cash Provided (Used) by Operating Activities	(4,892)	(327,896)	(289,483)	14,283	(607,988)
Cash Flows from Non-Capital Financing Activities:					
Transfers from other funds	-	110,480	-	-	110,480
Amounts received from other funds	-	-	279,203	-	279,203
Net Cash Provided by Non-Capital Financing Activities	-	110,480	279,203	-	389,683
Cash Flows from Investing Activities:					
Interest received (paid)	1,070	(3,434)	5,367	178	3,181
Net Cash Provided (Used) by Investing Activities	1,070	(3,434)	5,367	178	3,181
Net Increase (Decrease) in Cash and Cash Equivalents	(3,822)	(220,850)	(4,913)	14,461	(215,124)
Cash and Cash Equivalents, Beginning of Year	414,710	1,358,235	4,913	210,590	1,988,448
Cash and Cash Equivalents, End of Year	\$ 410,888	\$ 1,137,385	\$ -	\$ 225,051	\$ 1,773,324
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (92,077)	\$ (188,697)	\$ (238,609)	\$ (86,505)	\$ (605,888)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	169,423	-	29,618	1,753	200,794
(Increase) decrease in prepaid costs	162	-	(47,264)	-	(47,102)
(Increase) decrease in due from other governments	(15,261)	-	-	-	(15,261)
(Increase) decrease in deferred outflows - pension	(8,344)	(2,134)	(9,492)	-	(19,970)
(Increase) decrease in deferred outflows - OPEB	28,308	6,529	6,411	-	41,248
Increase (decrease) in accounts payable	354	28,546	(7,669)	99,035	120,266
Increase (decrease) in accrued liabilities	(3,979)	945	(1,744)	-	(4,778)
Increase (decrease) in compensated absences	(24,205)	3,261	(9,634)	-	(30,578)
Increase (decrease) in claims and judgments	-	(171,000)	-	-	(171,000)
Increase (decrease) in net pension liability	10,495	6,561	7,030	-	24,086
Increase (decrease) in total OPEB liability	(48,639)	(10,276)	(10,035)	-	(68,950)
Increase (decrease) in deferred inflows - pension	(21,129)	(1,631)	(8,095)	-	(30,855)
Total Adjustments	87,185	(139,199)	(50,874)	100,788	(2,100)
Net Cash Provided (Used) by Operating Activities	\$ (4,892)	\$ (327,896)	\$ (289,483)	\$ 14,283	\$ (607,988)

City of Imperial Beach

**Combining Statement of Fiduciary Net Position
All Custodial Funds
June 30, 2021**

	<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>\$ 119,217</u>	<u>\$ 30,385</u>	<u>\$ 171,921</u>
Total Assets	<u>119,217</u>	<u>30,385</u>	<u>171,921</u>
Net Position:			
Held in trust for other purposes	<u>119,217</u>	<u>30,385</u>	<u>171,921</u>
Total Net Position	<u>\$ 119,217</u>	<u>\$ 30,385</u>	<u>\$ 171,921</u>

City of Imperial Beach

**Combining Statement of Fiduciary Net Position
All Custodial Funds
June 30, 2021**

(Continued)

	<u>Special Assessment Districts</u>		<u>Custodial Funds Totals</u>
	<u>Assessment District #68</u>	<u>Assessment District #71</u>	
Assets:			
Pooled cash and investments	\$ 102,142	\$ 16,433	\$ 440,098
Total Assets	102,142	16,433	440,098
Net Position:			
Held in trust for other purposes	102,142	16,433	440,098
Total Net Position	\$ 102,142	\$ 16,433	\$ 440,098

City of Imperial Beach

**Combining Statement of Changes in Fiduciary Net Position
All Custodial Funds
Year Ended June 30, 2021**

	<u>Special Assessment Districts</u>		
	<u>Assessment District #63</u>	<u>Assessment District #64</u>	<u>Assessment District #66</u>
Additions:			
Miscellaneous	\$ 17,683	\$ 915	\$ 2,414
Total Additions	17,683	915	2,414
Deductions:			
Administrative expenses	-	-	-
Payments to fiscal agent	-	-	-
Total Deductions	-	-	-
Changes in Net Position	17,683	915	2,414
Net Position at Beginning of Year	-	-	-
Restatement of Net Position	101,534	29,470	169,507
Net Position at Beginning of Year, as Restated	101,534	29,470	169,507
Net Position at End of Year	\$ 119,217	\$ 30,385	\$ 171,921

City of Imperial Beach

**Combining Statement of Changes in Fiduciary Net Position
All Custodial Funds
Year Ended June 30, 2021**

(Continued)

	<u>Special Assessment Districts</u>		<u>Custodial Funds Totals</u>
	<u>Assessment District #68</u>	<u>Assessment District #71</u>	
Additions:			
Miscellaneous	\$ 2,204	\$ 732	\$ 23,948
Total Additions	2,204	732	23,948
Deductions:			
Administrative expenses	-	7,781	7,781
Payments to fiscal agent	-	6,165	6,165
Total Deductions	-	13,946	13,946
Changes in Net Position	2,204	(13,214)	10,002
Net Position at Beginning of Year	-	-	-
Restatement of Net Position	99,938	29,647	430,096
Net Position at Beginning of Year, as Restated	99,938	29,647	430,096
Net Position at End of Year	\$ 102,142	\$ 16,433	\$ 440,098