



City of Imperial Beach, California

FINANCIAL STATEMENTS

FISCAL YEAR ENDED

JUNE 30, 2022

CITY OF IMPERIAL BEACH, CALIFORNIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022

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City of Imperial Beach

Financial Statements For the Fiscal Year Ended June 30, 2022

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, 2022**

TABLE OF CONTENTS

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of the Net Pension Liability And Related Ratios as of the Measurement Date	73
Schedule of Plan Contributions	74
Schedule of Changes in the Total OPEB Liability and Related Ratios	75
Budgetary Comparison Schedule by Department General Fund	76
Notes to Required Supplementary Information	77
Budgetary Comparison Schedule Miscellaneous Grants Fund	79
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Combining Balance Sheet – Nonmajor Governmental Funds	80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	83
Budgetary Comparison Schedules – Special Revenue Funds	
Gas Tax	86
Prop A Tax	87
CDBG Grant	88
Supplemental Law Enforcement	89
RMRA	90
Budgetary Comparison Schedules – Capital Projects Funds	
Parks Maintenance CIP	91
Capital Projects	92
Combining Statement of Net Position – Internal Service Funds	93
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds	94

City of Imperial Beach

**Financial Statements
For the Fiscal Year Ended
June 30, 2022**

TABLE OF CONTENTS

	<u>Page Number</u>
Combining Statement of Cash Flows – Internal Service Funds	95
Combining Statement of Fiduciary Net Position – All Custodial Funds	96
Combining Statement of Changes in Fiduciary Net Position – All Custodial Funds	98

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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

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, 2022, 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, 2022, 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.

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Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants



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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 10 to the financial statements, the City adopted provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are 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 7, 2022, 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 7, 2022

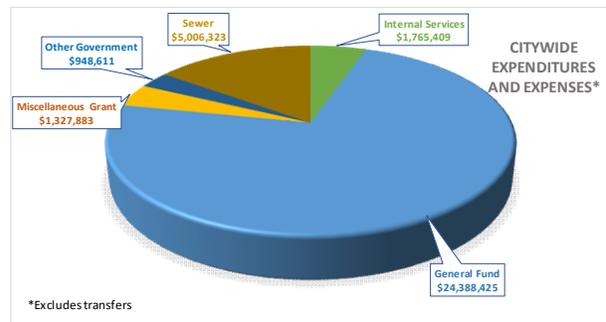
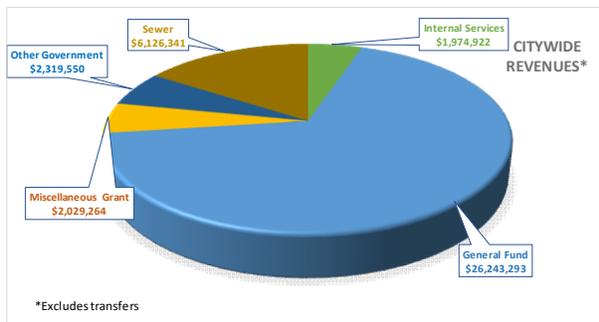
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Management's Discussion and Analysis

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 (CAO), 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, 2022. 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 fund level revenue recorded for the fiscal year ending June 30, 2022, was \$38,693,370 inclusive of the General Fund, Miscellaneous Grant Fund, Other Government Funds, the Internal Services Funds, and the Sewer Enterprise Fund. The Successor Agency to the former Redevelopment Agency revenue is not included in the Citywide revenue because the Successor Agency is considered a separate entity and not technically part of the municipal corporation. Conversely, the Citywide expenditures and expenses for fiscal year ending on June 30, 2022, were \$33,436,651.



The fiscal year 2021-2022 General Fund actual expenditures, including transfers, totaled \$26,642,064. That is below the budgeted, as amended, expenditures of \$27,631,384. Initially, the City Council adopted General Fund budget with revenues and transfers exceeding expenditures by approximately \$500,000 to address uncertainties due to the COVID-19 emergency. As the City re-opened to public during the fiscal year and services started to return to the pre-pandemic levels, the budget was amended to address the increase in City's activities and projects.

When the pandemic struck in the winter of 2020, the City Council immediately adopted a Financial Preparation and Recovery Plan that reduced spending, implemented a "soft" hiring and spending freeze, and deferred spending on maintenance and capital projects. While carefully monitoring incoming revenues, as well as the overall economy, the City started to gradually reverse the pandemic spending freeze in fiscal year 2021-2022. The primary focus was given to the deferred, but urgently needed, maintenance and capital improvements projects, as well as the funding of the newly established recreation department and the hiring of its related positions. As revenues affected by COVID-19 rebounded and the City's 1% Sales Tax, as well as the new Measure I Sales Tax, came in stronger than expected, the expenditure budget had been increased by \$3.5 million over the adopted budget. Approximately \$1.3 million of the increase was due to one-time transfers to the Internal Service Funds to strengthen the funds reserves for future needs. Much of the remainder of the increase resulted from capital improvement projects – both newly

approved by City Council and carried over from the prior period. The fiscal year ended with expenditures \$1 million below the final increased budget. Much of the variance is related to salary and benefits for unfilled positions as the City experienced some staffing shortages due to the challenging job market.

The fiscal year 2021-2022 adopted budget for General Fund revenues, including transfers, was \$24.8 million. The budget was subsequently increased by \$2.0 million primarily due to the growth of Sales Tax and Measure I Sales Tax. Property Tax, as well as Transient Occupancy Tax also finished the year above budget. This revenue growth was partially offset by weaker investment earnings as fair market value accounting adjustments resulted in some unrealized investment losses on June 30, 2022. Overall, General Fund revenues, including other financing sources, totaled \$27,724,461, exceeding the amended budget by approximately \$0.8 million.

The net change in General Fund balance, or the difference between the actual revenues and expenditures, for fiscal year 2021-2022 was \$1,082,397.

Fund Balances

Fund balance represents the difference between assets and liabilities in a 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 as of June 30, 2022, was \$10,489,984 or about 39.4% of the fiscal year 2021-2022 General Fund expenditures (including transfers) of \$26,642,064. As such, it is towards the high threshold established by 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 Public Works Strategic Capital reserve, to increase reserve for the purchase of new equipment in the Vehicle Replacement Fund, to replenish the Technology and Communication Internal Service Fund, and Facilities Maintenance Fund. These actions will continue to provide financial stability and allow the City to prepare for future needs of the City 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 \$2,500,000 on June 30, 2022, which is generally consistent with the adopted policy. No transfers out of the reserve were necessary in fiscal year 2021-2022, while City increased the balance 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 \$1,300,000 on June 30, 2022.

Other General Fund Balances - The City Council has established a reserve 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 \$254,482 on June 30, 2022. Other assigned balances within the General fund include \$115,308 for Public Works projects encumbrances, \$144,195 of community benefit funding, \$22,434 for public access use (PEG), and \$1,000,000 for Section 115 Trust.

Other Government Funds - The City receives revenue from other government functions that have restrictions in their use. On June 30, 2022, the Gas Tax Fund Balance was -\$665, the Road Maintenance and Rehabilitation Fund (RMRA/SB1) Fund Balance was \$627,199, the Supplemental Law Enforcement Fund was \$49,989, and the Proposition A (Transnet) Fund Balance was \$179,489. The Park Maintenance Fund Balance was \$342,258 on June 30, 2022. The Miscellaneous Grant Fund Balance was \$211,245 on June 30, 2022.

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 net position on June 30, 2022 was \$2,247,683.

The **Vehicle Replacement & Maintenance Fund** serves all City departments with the purchase and maintenance of the City's vehicle fleet. On June 30, 2022, the net position was \$1,404,895, of which \$445,727 is invested in capital assets and \$959,168 is unrestricted. In the next fiscal year, staff will be requesting an increase of the net position in the Vehicle Fund 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 net position 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, 2022, the Risk Management Fund had a net position of \$755,864. Staff will continue to maintain the net position of the Risk Management Fund at 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 net position was \$21,110 at the end of the 2022 fiscal year. The City will prioritize increasing the net position in the Technology & Communication Fund to ascertain modern, safe, and accessible information technology infrastructure for its residents and staff.

The **Facilities Repair & Maintenance Fund** allows funds to be set aside for building repairs and improvements. On June 30, 2022, the net position of the Facilities Maintenance Fund was \$65,814, of which \$1,707 is invested in capital assets and \$64,107 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 to address maintenance needs of aging facilities.

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, 2022, was \$713,123.

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 net position in the Sewer Fund of approximately \$3 million in case of an unanticipated repair or emergency. On June 30, 2022, the Sewer Fund had a net position of \$12,744,724, of which \$3,651,210 is unrestricted, which complies with the direction provided by the City Council. The remaining \$9,093,514 of the net position 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. They present information using accounting methods similar to those used by private sector companies, including the reporting of long-term assets and liabilities. 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 two major governmental funds: the General Fund, and the Miscellaneous Grant Fund. For the two funds, the information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of the non-major governmental funds is provided 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 and the Miscellaneous Grant 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 an Enterprise Fund to account for its Sewer operation. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses Internal Service Funds to account for the management of its retained risks, for its fleet of vehicles, information technology, and facilities maintenance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide 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

Net position over time, may serve as a useful indicator of a government's financial position. On June 30, 2022, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows by \$86,190,272. That represents an increase of \$6,610,254 from \$79,580,018 on June 30, 2021. The large increase is primarily due to a decrease in net pension liability of approximately \$7.2 million. This decrease is a result of prior years' strong investment results and is temporary as the market has since taken a downward turn. Moreover, CalPERS continues to adjust discount rate downwards to which the pension liability is highly sensitive.

Primary Government - Net Position

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$29,357,337	\$4,019,980	\$33,377,317
Capital assets, net	56,650,709	9,093,514	65,744,223
Intangible assets, net	114,827	-	114,827
Total Assets	86,122,873	13,113,494	99,236,367
Deferred Outflows of Resources	5,354,322	121,565	5,475,887
Total Liabilities	(13,726,814)	(392,598)	(14,119,412)
Deferred Inflows of Resources	(4,304,833)	(97,737)	(4,402,570)
Total Net Position	\$73,445,548	\$12,744,724	\$86,190,272

The City's combined net position is \$86,190,272 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 2021-2022 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

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 valuable 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 \$18,794,563. Of this amount, \$10,489,319 constitutes Unassigned Fund Balance, which is available for spending at the discretion of the City Council. The remaining \$8,305,244 is either restricted, committed, or assigned. The Unrestricted Net Position of the Business-Type Fund, or the Sewer Enterprise Fund, was \$3,651,210 on June 30, 2022.

Capital Assets and Debt Administration

The City's net investment in capital assets for its governmental and business-type activities amounts to \$65,742,674 (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. See note 4 for additional information.

On June 30, 2022, the City's long-term obligations consisted of \$798,362 principal outstanding on Transnet Commercial Paper borrowing and \$116,376 of lease liability for printing equipment. See note 10 for additional information.

The City's Unfunded Accrued Liability in the California Public Employees Retirement System (CalPERS) as of June 30, 2022 consisted of an obligation to pay \$2,277,672 for net pension liability and \$2,025,106 in other post-retirement benefits.

The City also has an obligation of \$1,111,312 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.

City of Imperial Beach

Statement of Net Position June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 24,944,643	\$ 4,842,222	\$ 29,786,865
Receivables:			
Accounts	775,295	-	775,295
Accrued interest	28,223	-	28,223
Internal balances	972,433	(972,433)	-
Prepaid costs	137,277	-	137,277
Due from other governments	2,499,466	150,191	2,649,657
Capital assets, not being depreciated	15,920,223	426,861	16,347,084
Capital assets, net of depreciation	40,730,486	8,666,653	49,397,139
Intangible right to use asset, net of amortization	114,827	-	114,827
Total Assets	86,122,873	13,113,494	99,236,367
Deferred Outflows of Resources:			
Deferred pension related items	4,311,212	97,882	4,409,094
Deferred OPEB related items	1,043,110	23,683	1,066,793
Total Deferred Outflows of Resources	5,354,322	121,565	5,475,887
Liabilities:			
Accounts payable	2,178,029	236,602	2,414,631
Accrued liabilities	199,589	21,454	221,043
Unearned revenue	3,309,066	-	3,309,066
Deposits payable	1,145,844	-	1,145,844
Compensated absences due in one year	679,014	39,021	718,035
Claims payable due in one year	123,000	-	123,000
Long-term liabilities due in one year	328,102	-	328,102
Noncurrent liabilities:			
Compensated absences due in more than one year	393,277	-	393,277
Claims payable due in more than one year	577,000	-	577,000
Long-term liabilities due in more than one year	586,636	-	586,636
Net Pension Liability	2,227,108	50,564	2,277,672
Total OPEB liability	1,980,149	44,957	2,025,106
Total Liabilities	13,726,814	392,598	14,119,412
Deferred Inflows of Resources:			
Deferred pension related items	3,862,791	87,701	3,950,492
Deferred OPEB related items	442,042	10,036	452,078
Total Deferred Inflows of Resources	4,304,833	97,737	4,402,570
Net Position:			
Investment in capital assets	56,649,160	9,093,514	65,742,674
Restricted for:			
Community development	713,123	-	713,123
Public safety	49,989	-	49,989
Parks and recreation	553,503	-	553,503
Public works	1,544,244	-	1,544,244
Unrestricted	13,935,529	3,651,210	17,586,739
Total Net Position	\$ 73,445,548	\$ 12,744,724	\$ 86,190,272

See Notes to Financial Statements

City of Imperial Beach

**Statement of Activities
Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ 6,476,001	\$ 500,955	\$ 99,601	\$ -
Public safety	10,802,947	301,900	5,467,335	-
Community development	166	619,566	-	-
Parks, recreation and senior center	1,961,009	39,051	-	-
Public works	4,454,317	460,758	2,349,679	2,022,727
Interest on long-term liabilities	9,972	-	-	-
Total Governmental Activities	23,704,412	1,922,230	7,916,615	2,022,727
Business-Type Activities:				
Sewer	4,997,924	6,217,535	-	-
Total Business-Type Activities	4,997,924	6,217,535	-	-
Total Primary Government	\$ 28,702,336	\$ 8,139,765	\$ 7,916,615	\$ 2,022,727

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 in (out)

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
\$ (5,875,445)	\$ -	\$ (5,875,445)
(5,033,712)	-	(5,033,712)
619,400	-	619,400
(1,921,958)	-	(1,921,958)
378,847	-	378,847
(9,972)	-	(9,972)
(11,842,840)	-	(11,842,840)
-	1,219,611	1,219,611
-	1,219,611	1,219,611
(11,842,840)	1,219,611	(10,623,229)
6,779,578	-	6,779,578
1,353,140	-	1,353,140
7,523,483	-	7,523,483
2,266,242	-	2,266,242
377,130	-	377,130
32,086	-	32,086
(4,228)	(91,194)	(95,422)
634,827	-	634,827
(20,518)	20,518	-
18,941,740	(70,676)	18,871,064
7,098,900	1,148,935	8,247,835
67,441,938	12,138,080	79,580,018
(1,095,290)	(542,291)	(1,637,581)
66,346,648	11,595,789	77,942,437
\$ 73,445,548	\$ 12,744,724	\$ 86,190,272

See Notes to Financial Statements

City of Imperial Beach

Balance Sheet Governmental Funds June 30, 2022

	General	Special Revenue Fund Miscellaneous Grant	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled cash and investments	\$ 17,516,305	\$ 2,004,446	\$ 2,775,734	\$ 22,296,485
Receivables:				
Accounts	775,295	-	-	775,295
Accrued interest	28,223	-	-	28,223
Prepaid costs	107,966	-	-	107,966
Due from other governments	2,235,266	61,620	172,974	2,469,860
Due from other funds	50,294	-	-	50,294
Total Assets	\$ 20,713,349	\$ 2,066,066	\$ 2,948,708	\$ 25,728,123
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,909,840	\$ 62,005	\$ 99,465	\$ 2,071,310
Accrued liabilities	183,073	-	-	183,073
Unearned revenues	1,366,250	1,792,816	150,000	3,309,066
Deposits payable	1,145,844	-	-	1,145,844
Due to other funds	-	-	50,294	50,294
Total Liabilities	4,605,007	1,854,821	299,759	6,759,587
Deferred Inflows of Resources:				
Unavailable revenues	173,973	-	-	173,973
Total Deferred Inflows of Resources	173,973	-	-	173,973
Fund Balances:				
Nonspendable:				
Prepaid costs	107,966	-	-	107,966
Restricted for:				
Community development projects	-	-	713,123	713,123
Public safety	-	-	49,989	49,989
Parks, recreation and senior center	-	211,245	342,258	553,503
Public works	-	-	1,544,244	1,544,244
Committed to:				
Economic uncertainty reserve	2,500,000	-	-	2,500,000
Public works	1,300,000	-	-	1,300,000
Assigned to:				
Public works strategic capital reserve	254,482	-	-	254,482
Public works projects	115,308	-	-	115,308
Community benefit	144,195	-	-	144,195
PEG	22,434	-	-	22,434
Section 115	1,000,000	-	-	1,000,000
Unassigned (deficit)	10,489,984	-	(665)	10,489,319
Total Fund Balances	15,934,369	211,245	2,648,949	18,794,563
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 20,713,349	\$ 2,066,066	\$ 2,948,708	\$ 25,728,123

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, 2022

Fund balances of governmental funds	\$ 18,794,563
Amounts reported for governmental activities in the statement of net position are different because:	
Capital and intangible right to use assets have not been included as financial resources in governmental fund activity (excludes internal service funds).	
Capital assets net of depreciation	56,203,275
Intangible right to use assets net of amortization	114,827
Compensated absences, long term liabilities, net pension liability, and total OPEB liability that have not been included in the governmental fund activity (excludes internal service funds):	
Compensated absences	(1,050,706)
Long term liabilities	(914,738)
Net pension liability	(2,183,377)
Total OPEB liability	(1,941,267)
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	4,226,558
Deferred outflows of resources - OPEB related	1,022,627
Deferred inflows of resources - pension related	(3,786,941)
Deferred inflows of resources - OPEB related	(433,362)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	173,973
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The 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.	3,220,116
Net Position of Governmental Activities	<u>\$ 73,445,548</u>

City of Imperial Beach

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2022

	General	Special	Other	Total
		Revenue Fund		
		Miscellaneous	Funds	Funds
		Grant		
Revenues:				
Taxes	\$ 17,922,444	\$ -	\$ -	\$ 17,922,444
Licenses and permits	788,075	-	-	788,075
Intergovernmental	497,624	2,038,701	2,231,318	4,767,643
Charges for services	6,300,535	-	68,951	6,369,486
Use of money and property	46,311	(9,437)	10,289	47,163
Fines and forfeitures	239,492	-	-	239,492
Miscellaneous	448,812	-	8,992	457,804
Total Revenues	26,243,293	2,029,264	2,319,550	30,592,107
Expenditures:				
Current:				
General government	6,232,045	639,975	-	6,872,020
Public safety	13,458,006	-	160,023	13,618,029
Community development	-	-	166	166
Parks, recreation and senior center	1,819,018	2,576	-	1,821,594
Public works	2,465,587	316,166	129,578	2,911,331
Debt Service				
Principal	29,767	-	296,928	326,695
Interest	1,614	-	8,358	9,972
Capital outlay	382,388	369,166	353,558	1,105,112
Total Expenditures	24,388,425	1,327,883	948,611	26,664,919
Excess (Deficiency of Revenues Over (Under) Expenditures	1,854,868	701,381	1,370,939	3,927,188
Other Financing Sources (Uses):				
Lease acquisition	146,143	-	-	146,143
Transfers in	1,335,025	-	1,145,518	2,480,543
Transfer out	(2,253,639)	(490,136)	(895,117)	(3,638,892)
Total Other Financing Sources (Uses)	(772,471)	(490,136)	250,401	(1,012,206)
Net Change in Fund Balances	1,082,397	211,245	1,621,340	2,914,982
Fund Balances at Beginning of Year	14,851,972	-	1,027,609	15,879,581
Fund Balances at End of Year	\$ 15,934,369	\$ 211,245	\$ 2,648,949	\$ 18,794,563

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, 2022

Net change in fund balances - total governmental funds \$ 2,914,982

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	\$ 313,544	
Depreciation	(2,196,979)	
Amortization	<u>(31,316)</u>	(1,914,751)

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. (350)

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

Commercial paper	296,928	
Lease liability	<u>29,767</u>	326,695

Pension revenue reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenue in governmental funds. 4,511,405

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. (174,627)

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. 96,601

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. 1,338,945

Change in Net Position of Governmental Activities \$ 7,098,900

City of Imperial Beach

Statement of Net Position Proprietary Funds June 30, 2022

	Enterprise Fund	Governmental Activities
	Sewer	Internal Service Funds
Assets:		
Current:		
Cash and investments	\$ 4,842,222	\$ 2,648,158
Prepaid costs	-	29,311
Due from other governments	150,191	29,606
Total Current Assets	4,992,413	2,707,075
Noncurrent:		
Capital assets, not being depreciated	426,861	-
Capital assets, net of depreciation	8,666,653	447,434
Total Noncurrent Assets	9,093,514	447,434
Total Assets	14,085,927	3,154,509
Deferred Outflows of Resources:		
Deferred pension related items	97,882	84,654
Deferred OPEB related items	23,683	20,483
Total Deferred Outflows of Resources	121,565	105,137
Liabilities:		
Current:		
Accounts payable	236,602	106,719
Accrued liabilities	21,454	16,516
Compensated absences due in one year	39,021	19,465
Claims and judgments due in one year	-	123,000
Total Current Liabilities	297,077	265,700
Noncurrent:		
Compensated absences due in more than one year	-	2,120
Claims and judgments due in more than one year	-	577,000
Net pension liability	50,564	43,731
Total OPEB liability	44,957	38,882
Total Noncurrent Liabilities	95,521	661,733
Total Liabilities	392,598	927,433
Deferred Inflows of Resources:		
Deferred pension related items	87,701	75,850
Deferred OPEB related items	10,036	8,680
Total Deferred Inflows of Resources	97,737	84,530
Net Position:		
Investment in capital assets	9,093,514	447,434
Unrestricted	4,623,643	1,800,249
Total Net Position	\$ 13,717,157	\$ 2,247,683
Reconciliation of Net Position to the Statement of Net Position		
Net Position per Statement of Net Position - Proprietary Funds	\$ 13,717,157	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(980,832)	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds	8,399	
Net Position per Statement of Net Position	\$ 12,744,724	

See Notes to Financial Statements

City of Imperial Beach

Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds Year Ended June 30, 2022

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Funds
	Sewer	
Operating Revenues:		
Sales and service charges	\$ 6,217,535	\$ 1,839,800
Miscellaneous	-	186,513
Total Operating Revenues	6,217,535	2,026,313
Operating Expenses:		
Source of supply	4,187,886	-
Services and supplies	1,839	999,030
Claims expense	-	260,083
Personnel and administrative	522,285	332,678
Depreciation expense	294,313	173,618
Total Operating Expenses	5,006,323	1,765,409
Operating Income	1,211,212	260,904
Nonoperating Revenues (Expenses):		
Investment loss	(91,194)	(51,391)
Total Nonoperating Revenues (Expenses)	(91,194)	(51,391)
Income Before Transfers	1,120,018	209,513
Transfers in	20,518	1,137,831
Total Transfers	20,518	1,137,831
Change in Net Position	1,140,536	1,347,344
Net Position:		
Beginning of Year, as Restated	12,576,621	900,339
End of Fiscal Year	\$ 13,717,157	\$ 2,247,683
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	\$ 1,140,536	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	8,399	
Changes in Net Position of Business-Type Activities per Statement of Activities	\$ 1,148,935	

See Notes to Financial Statements

City of Imperial Beach

Statement of Cash Flows Proprietary Funds Year Ended June 30, 2022

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Funds
	Sewer	
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 6,200,649	\$ -
Cash received from/(paid to) interfund service provided	-	2,026,369
Cash paid to suppliers for goods and services	(3,975,507)	(1,412,589)
Cash paid to employees for services	(605,331)	(414,161)
Net Cash Provided by Operating Activities	1,619,811	199,619
Cash Flows from Non-Capital Financing Activities:		
Transfers from other funds	20,518	1,137,831
Amounts received from other funds	-	(347,158)
Net Cash Provided by Non-Capital Financing Activities	20,518	790,673
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(229,097)	(64,067)
Net Cash Used by Capital and Related Financing Activities	(229,097)	(64,067)
Cash Flows from Investing Activities:		
Investment loss	(91,194)	(51,391)
Net Cash Used by Investing Activities	(91,194)	(51,391)
Net Increase in Cash and Cash Equivalents	1,320,038	874,834
Cash and Cash Equivalents, Beginning of Year	3,522,184	1,773,324
Cash and Cash Equivalents, End of Year	\$ 4,842,222	\$ 2,648,158
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income	\$ 1,211,212	\$ 260,904
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	294,313	173,618
(Increase) decrease in accounts receivable	809	-
(Increase) decrease in prepaid costs	376	23,898
(Increase) decrease in due from other governments	(17,695)	56
(Increase) decrease in deferred pension related items	32,049	27,719
(Increase) decrease in deferred OPEB related items	2,490	2,152
Increase (decrease) in accounts payable	213,842	(85,374)
Increase (decrease) in accrued liabilities	3,579	5,053
Increase (decrease) in compensated absences	13,809	326
Increase (decrease) in claims and judgments	-	(92,000)
Increase (decrease) in net pension liability	(160,446)	(138,764)
Increase (decrease) in total OPEB liability	(8,482)	(7,336)
Increase (decrease) in deferred inflows - pension	23,919	20,687
Increase (decrease) in deferred OPEB - pension	10,036	8,680
Total Adjustments	408,599	(61,285)
Net Cash Provided (Used) by Operating Activities	\$ 1,619,811	\$ 199,619

See Notes to Financial Statements

City of Imperial Beach

Statement of Fiduciary Net Position Fiduciary Funds June 30, 2022

	Custodial Funds	Private- Purpose Trust Fund Successor Agency to the Former RDA
Assets:		
Pooled cash and investments	\$ 445,038	\$ 1,019,177
Land held for resale	-	5,760,000
Deferred charges - loss on bond refunding	-	306,358
Due from other governments	-	60,117
Restricted assets:		
Cash and investments with fiscal agents	-	68,764
Total Assets	445,038	7,214,416
Liabilities:		
Accounts payable	-	976
Accrued liabilities	-	6,888
Accrued interest	-	85,267
Deferred charges - gain on bond refunding	-	6,415
Long-term liabilities:		
Due in one year	-	885,000
Due in more than one year	-	28,667,018
Total Liabilities	-	29,651,564
Net Position (Deficit):		
Held in trust for other purposes	445,038	(22,437,148)
Total Net Position	\$ 445,038	\$ (22,437,148)

See Notes to Financial Statements

City of Imperial Beach

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2022**

	Custodial Funds	Private- Purpose Trust Fund
		Successor Agency to the Former RDA
Additions:		
Taxes	\$ -	\$ 2,251,387
Interest and change in fair value of investments	-	(18,608)
Miscellaneous	4,940	60,117
Total Additions	4,940	2,292,896
Deductions:		
Administrative expenses	-	207,979
Contractual services	-	136,495
Interest expense	-	800,387
Bond issuance cost	-	246,578
Total Deductions	-	1,391,439
Changes in Net Position	4,940	901,457
Net Position (Deficit) at Beginning of Year	440,098	(23,338,605)
Net Position (Deficit) at End of Year	\$ 445,038	\$ (22,437,148)

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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The private-purpose trust funds are reported using the economic resources management focus and the full accrual basis of accounting.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.
- The Miscellaneous Grants Fund is used for reporting of various types of grants awarded to the City. This includes, but is not limited, to COVID-19 relief grants.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

- Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes.
- The Capital Projects Funds account for tracking the financial resources used to acquire and/or construct a major capital asset.
- Internal Service Funds account for the financing of goods or services related to repair, replacement and maintenance of City-owned equipment, the City's self-insurance programs, the City's general information systems and telecommunications hardware, software and the repair, replacement and maintenance of City-owned facilities. These services are provided to other departments or agencies of the City on a cost reimbursement basis.
- The Private Purpose Trust Fund accounts for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.
- Custodial Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. They do not involve measurement of results of operations. The City's custodial funds account for its special assessment districts.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

d. Assets, Liabilities and Net Position or Equity

Cash and Investments

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

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

Receivables and Payables

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Classifications

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

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

Inventories and Prepaid Items

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

City of Imperial Beach

Notes to Financial Statements June 30, 2022

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	30 - 33
Curb and gutter	50

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows and Inflows of Resources

In addition to assets, the statements of net position and governmental fund balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net 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 three 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 items are deferred pension and OPEB related items reported in the government-wide statement of net position.

Compensated Absences

All permanent employees of the City are permitted to accumulate a maximum of two times their annual accrual rate (annual leave). Maximum sick leave accrual for miscellaneous employees is 800 hours and 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, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

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

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, 2022

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, 2022:

Gas Tax Fund	\$ (665)
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The deficit in the Gas Tax Fund will be eliminated by future expected revenue sources.

b. Budget Data

For the fiscal year ended June 30, 2022, the Housing Authority Fund had no adopted annual budgets.

City of Imperial Beach

Notes to Financial Statements June 30, 2022

II. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2022, cash and investments were reported in the accompanying financial statements as follows:

Cash and investments:	
Governmental activities	\$ 24,944,643
Business-Type activities	4,842,222
Fiduciary funds:	
Custodial funds	445,038
Private Purpose Trust	<u>1,019,177</u>
 Total Cash and Investments	 <u>31,251,080</u>
 Restricted cash with fiscal agents:	
Fiduciary Funds:	
Private Purpose Trust	<u>68,764</u>
 Total cash and investments with fiscal agents	 <u>68,764</u>
 Total cash and investments	 <u>\$ 31,319,844</u>

Cash and investments as of June 30, 2022 consists of the following:

Deposits with financial institutions	\$ 822,715
Cash on hand	1,000
Investments	<u>30,496,129</u>
 Total cash and investments	 <u>\$ 31,319,844</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, 2022, the carrying amount of the City's deposits was \$822,715 and the bank balance was \$979,004. The \$156,289 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. Currently, LAIF does not have an investment rating. LAIF has a minimum \$5,000 transaction amount in increments of \$1,000 with a maximum of 15 transactions (combination of deposits and withdrawals) per month. LAIF requires a one-day prior notice for deposits and withdrawals of \$10 million or more.

GASB Statement No. 31

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

Disclosures Relating to Credit Risk

The City's investment policy limits investments in medium-term notes (MTN's) to those rated "A" or higher by Standard and Poor's (S&P) or by Moody's. As of June 30, 2022, the City's investment in Medium-Term Corporate Notes were all rated A or better by Moody's and S&P. In addition, the City's investments in Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation were rated "AA+" by Moody's and by S&P. All securities were investment grade and were legal under State law. Investments in U.S. Treasuries are not considered to have credit risk; therefore, their credit quality is not disclosed.

Note 3: Cash and Investments (Continued)

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

As of June 30, 2022, the City's investments in external investment pools, money market mutual funds and investment agreements are unrated.

Disclosures Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City does not accept 150% of the secured public totals. At June 30, 2022, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation up to \$250,000 and the remaining balances were collateralized under California Law.

City of Imperial Beach

Notes to Financial Statements June 30, 2022

Note 3: Cash and Investments (Continued)

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer to 25% of the total investment pool. With respect to concentration risk, as of June 30, 2022, 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, 2022, the City has investments with the following issuers, which exceed 5% of the total investment value:

Issuer	Reported amount	Percent of portfolio
Federal Farm Credit Bank	\$ 1,768,403	21%
Federal Home Loan Mortgage Corporation	1,189,574	14%
Federal National Mortgage Association	619,251	7%

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

Interest Rate Risk

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

As of June 30, 2022, 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)	\$ 18,442,580	\$ -	\$ -	\$ 18,442,580
Federal Farm Credit Bank	698,495	1,069,908	-	1,768,403
Federal Home Loan Bank	-	264,577	-	264,577
Federal Home Loan Mortgage Corporation	-	1,189,574	-	1,189,574
Federal National Mortgage Association	-	389,408	229,843	619,251
U.S. Treasury Notes	-	2,555,340	729,580	3,284,920
Medium Term Corporate Notes	748,821	2,548,437	865,530	4,162,788
Supranational	-	401,305	-	401,305
Money Market	194,241	-	-	194,241
Cash with Fiscal Agent	68,764	-	-	68,764
Collateralized Mortgage Obligations (CMO)	-	99,726	-	99,726
Total Investments	\$ 20,152,901	\$ 8,518,275	\$ 1,824,953	\$ 30,496,129

City of Imperial Beach

Notes to Financial Statements June 30, 2022

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, 2022:

Cash & Investments	Total	Fair Value Measurement Level		
		1	2	3
Federal Farm Credit Bank	\$ 1,768,403	\$ -	\$ 1,768,403	\$ -
Federal Home Loan Bank	264,577	-	264,577	-
Federal Home Loan Mortgage Corporation	1,189,574	-	1,189,574	-
Federal National Mortgage Association	619,251	-	619,251	-
U.S. Treasury Notes	3,284,920	-	3,284,920	-
Medium Term Corporate Notes	4,162,788	-	4,162,788	-
Supranational	401,305	-	401,305	-
Money Market	194,241	-	194,241	-
Collateralized Mortgage Obligations (CMO)	99,726	-	99,726	-
Total	11,984,785	\$ -	\$ 11,984,785	\$ -
Investments not subject to fair value				
State Pooled Investment (LAIF)	18,442,580			
Cash with Fiscal Agent	68,764			
Total Investments	\$ 30,496,129			

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, 2022

Note 4: Capital and Intangible Assets

Capital asset activity for the year ended June 30, 2022, 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	2,731,357	(2,042,215)	136,222	-	825,364
Total Capital Assets, Not Being Depreciated	17,826,216	(2,042,215)	136,222	-	15,920,223
Capital assets, being depreciated:					
Structures and improvements	11,942,606	696,607	-	(14,600)	12,624,613
Equipment and vehicles	5,951,016	319,380	241,389	(601,100)	5,910,685
Infrastructure	49,148,866	1,026,228	-	-	50,175,094
Total Capital Assets, Being Depreciated	67,042,488	2,042,215	241,389	(615,700)	68,710,392
Less accumulated depreciation:					
Structures and improvements	(7,538,561)	-	(607,649)	14,600	(8,131,610)
Equipment and vehicles	(5,204,716)	-	(266,963)	601,100	(4,870,579)
Infrastructure	(13,481,732)	-	(1,495,985)	-	(14,977,717)
Total Accumulated Depreciation	(26,225,009)	-	(2,370,597)	615,700	(27,979,906)
Total Capital Assets, Being Depreciated, Net	40,817,479	2,042,215	(2,129,208)	-	40,730,486
Governmental Activities Capital Assets, Net	\$ 58,643,695	\$ -	\$ (1,992,986)	\$ -	\$ 56,650,709

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

Governmental Activities:	
General Government	\$ 309,258
Public Safety	57,864
Public Works	1,538,568
Parks, Recreation and Senior Center	291,289
Internal Service Funds	173,618
Total Governmental Activities	\$ 2,370,597

City of Imperial Beach

**Notes to Financial Statements
June 30, 2022**

Note 4: Capital and Intangible Assets (Continued)

	Beginning Balance	Adjustment*	Increases	Decreases	Ending Balance
Business-Type Activities:					
Capital assets, not being depreciated:					
Construction-in-progress	\$ 1,927,108	\$ (542,291)	\$ 317,915	\$ (1,275,871)	\$ 426,861
Total Capital Assets, Not Being Depreciated	<u>1,927,108</u>	<u>(542,291)</u>	<u>317,915</u>	<u>(1,275,871)</u>	<u>426,861</u>
Capital assets, being depreciated:					
Sewer lines and pump stations	13,422,275	-	1,187,053	-	14,609,328
Total Capital Assets, Being Depreciated	<u>13,422,275</u>	<u>-</u>	<u>1,187,053</u>	<u>-</u>	<u>14,609,328</u>
Less accumulated depreciation:					
Sewer lines and pump stations	(5,648,362)	-	(294,313)	-	(5,942,675)
Total Accumulated Depreciation	<u>(5,648,362)</u>	<u>-</u>	<u>(294,313)</u>	<u>-</u>	<u>(5,942,675)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,773,913</u>	<u>-</u>	<u>892,740</u>	<u>-</u>	<u>8,666,653</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,701,021</u>	<u>\$ (542,291)</u>	<u>\$ 1,210,655</u>	<u>\$ (1,275,871)</u>	<u>\$ 9,093,514</u>

*Prior period adjustment to correct beginning construction-in-progress balance. See note 18.

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

Business-Type Activities:	
Sewer	<u>\$ 294,313</u>

Intangible asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Intangible right to use asset				
Equipment	\$ -	\$ 146,143	\$ -	\$ 146,143
Accumulated amortization	<u>-</u>	<u>(31,316)</u>	<u>-</u>	<u>(31,316)</u>
Total intangible right to use asset, net	<u>\$ -</u>	<u>\$ 114,827</u>	<u>\$ -</u>	<u>\$ 114,827</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, 2022, amounts to \$291,353 and is offset by allowance. The outstanding balance at June 30, 2022, is \$920,961, 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, 2022, amounts to \$232,024 and is offset by allowance. The loan has not been fully disbursed at June 30, 2022. The outstanding balance at June 30, 2022, is \$718,479, 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, 2022, amounts to \$751,697 and is offset by allowance. The outstanding balance at June 30, 2022, is \$2,696,697, 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, 2022, amounts to \$1,201,444 and is offset by allowance. The outstanding balance at June 30, 2022, is \$5,301,444, including accrued interest.

City of Imperial Beach

Notes to Financial Statements June 30, 2022

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, 2022, is \$933,520.

Total loans receivable at June 30, 2022, amounts to \$10,571,101, 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, 2022 is as follows:

Due To/Due from Other Funds

Funds	Due to other funds	
	Non-Major Governmental Funds	Total
Due from Other Funds:		
General Fund	\$ 50,294	\$ 50,294
Total	\$ 50,294	\$ 50,294

The General Fund is owed \$50,294 from non-major governmental funds for temporary negative cash and investments.

City of Imperial Beach

Notes to Financial Statements June 30, 2022

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

Interfund Transfers

Transfers Out	Transfer In				Total
	General Fund	Non-major Governmental Funds	Sewer Fund	Internal Service Funds	
General Fund	\$ -	\$ 1,145,518	\$ -	\$ 1,108,121	\$ 2,253,639
Miscellaneous Grants	439,908	-	20,518	29,710	490,136
Non-Major Governmental Funds	895,117	-	-	-	895,117
Total	\$ 1,335,025	\$ 1,145,518	\$ 20,518	\$ 1,137,831	\$ 3,638,892

Transfers into the General Fund totaling \$895,117 were made from the Gas Tax Fund and Prop A Tax Fund to support street maintenance and transportation costs.

Transfer of \$439,908 and \$29,710 from the Miscellaneous Grants Fund was made to General Fund and Internal Service Funds, respectively. This was to reimburse the City for certain costs and services impacted by COVID-19 out of ARPA funds.

Transfer out of General Fund to Parks Maintenance CIP Fund and Capital Projects Fund in the total of \$1,145,518 consisted of funding for various capital improvements projects.

Transfer of \$20,518 to Sewer Fund out of Miscellaneous Grants Fund was to reimburse the sewer division for impact of COVID-19 on costs and services out of ARPA funds.

Transfer of \$1,108,121 out of General Fund was made to Internal Service Funds for support services.

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 \$4,311,212 and \$97,882, 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 \$1,043,110 and \$23,683, 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 City has three items that are reportable on the Statement of Net Position. One relates to inflows from changes in the net pension liability (Note 11). Governmental activities and Business-Type Activities recorded deferred inflows of resources related to pension of \$3,862,791 and \$87,701, respectively. The other relates to the inflows from changes in total OPEB liability (Note 12). Governmental activities and Business-Type Activities recorded deferred inflows of resources related to OPEB of \$442,042 and \$10,036, respectively. Lastly, 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, 2022 were \$173,973.

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 \$128,750.

Note 8: Unearned Revenue

General Fund unearned revenue consists of \$40,000 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, 2022, \$40,000 remains of this unearned lease revenue. In addition, the City entered into a development agreement with March and Ash Imperial Beach, Inc., dba March and Ash in December 2021. March and Ash paid the City \$1,500,000 at the beginning of the agreement for the development and expansion of community programs and infrastructure. As of June 30, 2022 \$1,326,250 remains of this unearned revenue.

Miscellaneous Grants Fund unearned revenue consists of \$1,792,816 as of June 30, 2022 relating to the American Rescue Plan Act of 2021 (ARPA). The City was granted an allocation of \$3,282,116 in July 2021.

Parks Maintenance CIP Fund unearned revenue consists of a grant of \$150,000 received from the Kreutzkamp Foundation for the Veterans Park improvement project. As of June 30, 2022, The full amount remains as unearned revenue.

City of Imperial Beach

Notes to Financial Statements June 30, 2022

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, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 1,071,615</u>	<u>\$ 683,173</u>	<u>\$ 682,497</u>	<u>\$ 1,072,291</u>	<u>\$ 679,014</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, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 25,212</u>	<u>\$ 47,365</u>	<u>\$ 33,556</u>	<u>\$ 39,021</u>	<u>\$ 39,021</u>

Note 10: Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the City for the year ended June 30, 2022:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Long-term liabilities:					
Direct borrowings					
Transnet Commercial Paper	\$ 1,095,290	\$ -	\$ (296,928)	\$ 798,362	\$ 296,928
Lease Liability					
Equipment	-	146,143	(29,767)	116,376	31,174
Total long-term liabilities	<u>\$ 1,095,290</u>	<u>\$ 146,143</u>	<u>\$ (326,695)</u>	<u>\$ 914,738</u>	<u>\$ 328,102</u>

City of Imperial Beach

Notes to Financial Statements June 30, 2022

Note 10: Long-Term Liabilities (Continued)

Transnet Commercial Paper

On October 4, 2019, the City entered into a loan agreement with the San Diego County Regional Transportation Commission for a \$1.3 million loan for the purposes of financing Imperial Boulevard enhancement project. The proceeds were funded when the City requested reimbursement for valid expenditures related to the project. On May 6, 2020 the City entered into a loan agreement with the San Diego County Regional Transportation Commission for another \$600,000 for State Route 75 Signal Interconnection Project. The repayment of the debt is the first priority on the use of the City's annual TransNet revenues, which are received from SANDAG. As of June 30, 2022 the City has drawn a total on \$1,455,000 on these loan agreements with \$445,000 still available to draw for SR 75 Signal project. The principal remaining on the loan is \$798,362 payable through 2025.

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

Year Ending June 30,	Direct borrowing Principal
2023	\$ 296,928
2024	361,515
2025	126,989
2026	12,930
Totals	\$ 798,362

Lease Liability

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

City of Imperial Beach

Notes to Financial Statements June 30, 2022

Note 10: Long-Term Liabilities (Continued)

Lease Liability

On July 1, 2021, the City entered into a 60 month lease as Lessee for the use of Printers - Advanced Imaging Care (AIS). An initial lease liability was recorded in the amount of \$146,143. As of June 30, 2022, the value of the lease liability is \$116,376. The City is required to make monthly fixed payments of \$2,582. The lease has an interest rate of 1.340%. The value of the right to use asset as of June 30, 2022 of \$146,143 with accumulated amortization of \$31,316 is included with Equipment on the Lease Class activity.

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

Year Ending June 30,	Lease liability	
	Principal	Interest
2023	\$ 31,174	\$ 1,368
2024	31,595	948
2025	32,021	522
2026	21,586	109
Totals	\$ 116,376	\$ 2,947

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, 2022

Note 11: Pensions (Continued)

The Plan's provisions and benefits in effect at June 30, 2022 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	14.020%	8.650%	7.590%
	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	19.250%	18.190%	13.130%
	<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	23.710%	13.130%	

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 are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2022 were \$1,498,066. The actual employer payments of \$1,386,331 made to CalPERS by the City during the measurement period ended June 30, 2021 differed from the City's proportionate share of the employer's contributions of \$2,642,822 by \$1,256,491, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

All other actuarial assumptions used in the June 30, 2020 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.

Note 11: Pensions (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB
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.

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 of 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
Public 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

There were no change of assumptions for measurement date June 30, 2021.

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.

Subsequent Events

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

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

Note 11: Pensions (Continued)

Pension Plan Fiduciary Net Position

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

Proportionate Share of Net Pension Liability

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

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
Balance at: 6/30/2020 (VD)	\$ 58,454,949	\$ 48,949,972	\$ 9,504,977
Balance at: 6/30/2021 (MD)	61,282,085	59,004,413	2,277,672
Net Changes during 2020-21	<u>\$ 2,827,136</u>	<u>\$ 10,054,441</u>	<u>\$ (7,227,305)</u>

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

The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The City's proportionate share of the net pension liability for the total Plan as of June 30, 2021 and 2022 was as follows:

Proportionate Share - June 30, 2021	0.08736%
Proportionate Share - June 30, 2022	0.04211%
Change - Increase (Decrease)	<u><u>-0.04525%</u></u>

Note 11: Pensions (Continued)

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

The following presents the City's proportionate share of the net pension liability of the total Plan as of the measurement date, calculated using the discount rate of 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%)
Net Pension Liability / (Asset)	\$ 10,430,770	\$ 2,277,672	\$ (4,445,197)

Amortization of Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

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

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

City of Imperial Beach

Notes to Financial Statements June 30, 2022

Note 11: Pensions (Continued)

The EARSL for PERF C for the measurement period ending June 30, 2021 is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (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, 2020), the City's net pension liability was \$9,504,977. For the measurement period ending June 30, 2021 (the measurement date), the City incurred a pension income of \$3,208,175.

As of June 30, 2022, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ -
Difference between expected and actual experience	325,116	-
Difference between projected and actual investment earnings	-	1,658,544
Differences between employer's Contributions and Proportionate share of contributions	1,360,381	1,435,280
Change in employer's proportion Pension contributions subsequent to measurement date	1,225,531	856,668
	<u>1,498,066</u>	<u>-</u>
Total	<u>\$ 4,409,094</u>	<u>\$ 3,950,492</u>

City of Imperial Beach

Notes to Financial Statements June 30, 2022

Note 11: Pensions (Continued)

The amounts above are net of outflows and inflows recognized in the 2020-21 measurement period expense. Contributions subsequent to the measurement date of \$1,498,066 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>
2023	\$ 144,696
2024	(374,508)
2025	(352,138)
2026	(457,514)
2027	-
Thereafter	-

Payable to the Pension Plan

At June 30, 2022, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year then ended.

Allocation of the Proportional Share of the Net Pension Liability

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

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

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

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

City of Imperial Beach

Notes to Financial Statements June 30, 2022

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 \$149 per month for of all premiums charged under the health benefit plan for all eligible employees and qualified family members. These benefits are provided per contract between the City and the employee associations. A separate financial report is not available for the plan. This plan is not administered through a qualifying trust.

Employees Covered

As of the June 30, 2022 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

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

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or employee associations. Currently, contributions are not required from plan members. A contribution of \$29,182 was made during the 2021-2022 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, 2022 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2022 based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	3.54%
Inflation	2.50%
Salary Increases	2.75%
Investment Rate of Return	3.54%
Mortality Rate	2017 CalPERS Mortality Rates
Pre-Retirement Turnover	2017 CalPERS Rates
Healthcare Trend Rate	4.00%

City of Imperial Beach

Notes to Financial Statements June 30, 2022

Note 12: Other Post-Employment Benefits (Continued)

Discount Rate

The discount rate was 3.54% per year net of expenses. This is based on the Bond Buyer 20 Bond Index.

Change of Assumptions

The discount rate was changed from 2.16% to 3.54% for the measurement date as of June 30, 2022.

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, 2021 (Valuation Date: June 30, 2022)	<u>\$ 2,407,169</u>
Changes recognized for the measurement period:	
Service cost	141,432
Interest	52,597
Difference between expected and actual experience	(90,018)
Changes of assumptions	(400,373)
Benefit payments	(85,701)
Net changes	<u>(382,063)</u>
Balance at June 30, 2022	<u>\$ 2,025,106</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, 2022:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 2,304,264	\$ 2,025,106	\$ 1,793,705

City of Imperial Beach

**Notes to Financial Statements
June 30, 2022**

Note 12: Other Post-Employment Benefits (Continued)

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

The following presents the total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,490,789	\$ 2,025,106	\$ 2,403,393

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, 2022, the City recognized OPEB expense of \$267,868. As of fiscal year ended June 30, 2022, the City reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes between expected and actual experience	\$ 129,671	\$ 82,985
Changes of assumptions	937,122	369,093
Total	<u>\$ 1,066,793</u>	<u>\$ 452,078</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>
2023	\$ 73,839
2024	73,839
2025	73,839
2026	73,839
2027	73,839
Thereafter	245,520

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.

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 \$700,000 reported at June 30, 2022, is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The above amount includes an estimate for incurred but not reported claims.

City of Imperial Beach

Notes to Financial Statements June 30, 2022

Note 13: Self-Insurance Program (Continued)

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

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

	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
Claims outstanding at beginning of year	\$ 1,949,504	\$ 963,000	\$ 792,000
Claims and changes in estimates	(846,985)	41,602	(40,582)
Claim payments	<u>(139,519)</u>	<u>(212,602)</u>	<u>(51,418)</u>
Claims outstanding at end of year	<u>\$ 963,000</u>	<u>\$ 792,000</u>	<u>\$ 700,000</u>

Note 14: Commitments and Contingencies

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

City of Imperial Beach

Notes to Financial Statements June 30, 2022

Note 14: Commitments and Contingencies (Continued)

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

Note 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.

a. Cash and Investments

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

Cash and investments pooled with the City	\$ 1,019,177
Cash and investments with fiscal agent	68,764
	<u>\$ 1,087,941</u>

City of Imperial Beach

**Notes to Financial Statements
June 30, 2022**

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

b. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2022, follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Public Offerings:					
2013 Tax Allocation Bonds	\$ 13,885,000	\$ -	\$(13,885,000)	\$ -	\$ -
2013 Tax Allocation Bonds Premium	330,066	-	(330,066)	-	-
2020 Tax Allocation Bonds	13,780,000	-	-	13,780,000	-
2020 Tax Allocation Bonds Premium	2,614,898	-	(140,009)	2,474,889	-
2022 Tax Allocation Bonds	-	11,800,000	-	11,800,000	885,000
2022 Tax Allocation Bonds Premium	-	1,542,461	(45,333)	1,497,128	-
Total Public Offerings	<u>\$ 30,609,964</u>	<u>\$ 13,342,461</u>	<u>\$(14,400,408)</u>	<u>\$ 29,552,017</u>	<u>\$ 885,000</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. In March 2022, the 2013 Tax Allocation Bonds were refunded with the 2022 Tax Allocation Bonds.

Tax Allocation Bonds, 2020

In March 2020, the Imperial Beach Public Financing Authority issued \$14,490,000 Tax Allocation Bonds, 2020. The proceeds of the bonds were to defease the 2010 Tax Allocation Bonds. Interest on the bonds is payable semiannually and principal payments are due annually. Debt service payments occur on June 1, 2021, and then from June 1, 2034, through June 1, 2040. Interest rates on the bonds is 4% per annum. The balance at June 30, 2022, excluding unamortized original issue premium of \$2,474,889 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, 2022

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
2023	\$ -	\$ 551,200
2024	-	551,200
2025	-	551,200
2026	-	551,200
2027	-	551,200
2028-2032	-	2,756,000
2033-2037	6,910,000	2,377,200
2038-2040	6,870,000	557,200
Totals	\$ 13,780,000	\$ 8,446,400

Tax Allocation Bonds, 2022

In March 2022, the Imperial Beach Public Financing Authority issued \$11,800,000 Tax Allocation Bonds, 2022. The proceeds of the bonds were to defease the 2013 Tax Allocation Bonds. Interest on the bonds is payable semiannually and principal payments are due annually. Debt service payments occur from June 1, 2022, through June 1, 2033. Interest rates on the bonds is 4% per annum. The balance at June 30, 2022, excluding unamortized original issue premium of \$1,497,128 is \$11,800,000.

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

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

City of Imperial Beach

Notes to Financial Statements June 30, 2022

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,	2022 Tax Allocation Refunding Bonds	
	Principal	Interest
2023	\$ 885,000	\$ 472,000
2024	910,000	436,600
2025	955,000	400,200
2026	985,000	362,000
2027	1,015,000	322,600
2028-2032	5,760,000	967,000
2033	1,290,000	51,600
Totals	\$ 11,800,000	\$ 3,012,000

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 \$37,038,400 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$2,251,387 and the debt service obligation on the bonds was \$968,893. In addition, the Successor Agency defeased one of the bonds in the amount of \$13,885,000.

c. Insurance

The Successor Agency is covered under the City of Imperial Beach's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 13.

City of Imperial Beach

Notes to Financial Statements June 30, 2022

Note 16: Restricted Components of Net Position

The restricted component of net position are assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. In fiscal year 2022, the City did not have any components of net position restricted by enabling legislation.

The restricted component of net position at June 30, 2022, for governmental activities is as follows:

Restricted for Community Development Projects:	
Housing Authority	\$ 713,123
Total	
Restricted for Public Works:	
Prop A Tax	\$ 179,489
RMRA	627,199
Capital Projects	737,556
Total	<u>1,544,244</u>
Restricted for Public Safety:	
Supplemental Law Enforcement	49,989
Restricted for Parks, Recreation and Senior Center:	
Miscellaneous Grants	211,245
Parks Maintenance	342,258
Total	<u>553,503</u>
Total Restricted Component of Net Position - Government Activities	<u><u>\$ 2,860,859</u></u>

Note 17: Tax Abatement

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

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

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

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

As of June 30, 2022, the City abated TOT taxes totaling \$222,766 under this agreement.

City of Imperial Beach

Notes to Financial Statements June 30, 2022

Note 18: Restatements

A restatement in the amount of \$1,095,290 was made in the Governmental Activities to adjust activity from the prior year related to the long-term liability – TransNet Commercial Paper. A restatement in the amount of \$542,291 was made in the Sewer Fund to adjust activity from the prior year related to construction-in-progress.

<u>Government-Wide - Governmental Activities</u>	
Net Position, as previously reported	\$ 67,441,938
Restatement	<u>(1,095,290)</u>
Net Position, as restated	<u>\$ 66,346,648</u>
<u>Proprietary Funds - Sewer</u>	
Fund Balance, Beginning of Year, as Previously Stated	\$ 13,118,912
Restatement	<u>(542,291)</u>
Fund Balances, Beginning of Year, as Restated	<u>\$ 12,576,621</u>

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%
6/30/2021	0.04211%	2,277,672	5,971,175	38.14%	96.28%

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%
6/30/2022	1,498,066	(1,498,066)	-	6,625,249	22.61%

⁽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: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2020 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance 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, 2022 for the Last Ten Fiscal Years ⁽¹⁾

Measurement Date (June 30) Report Date (June 30)	2022 2022	2020 2021	2019 2020	2018 2019	2017 2018
Total OPEB Liability					
Service cost	\$ 141,432	\$ 136,440	\$ 42,506	\$ 37,920	\$ 36,905
Interest	52,597	51,105	31,887	28,462	28,779
Differences between expected and actual experience	(90,018)	-	170,621	-	-
Changes in assumptions	(400,373)	13,465	1,180,019	41,088	-
Benefit payments	(85,701)	(97,152)	(23,042)	(770)	(20,915)
Net change in total OPEB liability	(382,063)	103,858	1,401,991	106,700	44,769
Total OPEB liability - beginning	2,407,169	2,303,311	901,320	794,620	749,851
Total OPEB liability - ending (a)	<u>\$ 2,025,106</u>	<u>\$ 2,407,169</u>	<u>\$ 2,303,311</u>	<u>\$ 901,320</u>	<u>\$ 794,620</u>
Covered-Employee payroll	\$ 6,625,249	\$ 6,059,385	\$ 5,878,059	\$ 5,484,385	\$ 5,388,899
Total OPEB liability as a percentage of Covered-Employee payroll	30.57%	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, 2022, the discount rate was changed from 2.16% to 3.54%

⁽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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 14,851,972	\$ 14,851,972	\$ 14,851,972	\$ -
Resources (Inflows):				
Taxes	14,397,100	16,802,100	17,922,444	1,120,344
Licenses and permits	644,750	781,752	788,075	6,323
Intergovernmental	117,000	634,407	497,624	(136,783)
Charges for services	6,454,438	6,232,938	6,300,535	67,597
Use of money and property	540,000	483,000	46,311	(436,689)
Fines and forfeitures	224,500	228,500	239,492	10,992
Miscellaneous	131,500	433,500	448,812	15,312
Lease acquisition	-	-	146,143	146,143
Transfers in	2,325,075	1,369,075	1,335,025	(34,050)
Amounts Available for Appropriations	39,686,335	41,817,244	42,576,433	759,189
Charges to Appropriation (Outflow):				
General government				
Mayor/City Council	217,950	218,354	188,012	30,342
City Clerk's Office	546,950	537,371	489,020	48,351
City Manager	863,650	1,011,955	988,078	23,877
Human Resources	310,700	313,791	273,788	40,003
Administrative Services	855,900	907,600	906,872	728
City Attorney	182,000	182,000	171,101	10,899
Community Development	630,050	695,752	674,763	20,989
Facilities Maintenance	434,900	441,897	407,331	34,566
Non-Departmental	2,128,080	2,164,080	2,133,080	31,000
Public safety				
Law Enforcement Contract	8,060,300	8,054,500	7,993,309	61,191
Fire Protection	2,969,520	3,118,581	3,066,826	51,755
Ocean/Beach Safety	1,656,750	1,662,799	1,529,532	133,267
Building and Housing Inspection	357,800	361,609	347,878	13,731
Animal Control	343,350	343,350	343,345	5
Code Enforcement	166,000	170,371	177,116	(6,745)
Parks, recreation and senior center				
Recreation	356,350	356,350	270,528	85,822
Park Maintenance	856,300	680,371	604,268	76,103
Senior Services	52,575	57,291	34,726	22,565
Tideland Maintenance	987,550	1,030,880	909,496	121,384
Public works				
Street Maintenance	1,272,750	1,410,793	1,391,739	19,054
Administration	415,800	421,406	321,430	99,976
Solid Waste Management	94,350	109,962	99,132	10,830
Storm Water	373,600	728,958	653,286	75,672
Debt Service				
Principal	-	-	29,767	(29,767)
Interest	-	-	1,614	(1,614)
Capital outlay	-	381,074	382,388	(1,314)
Transfers out	24,400	2,270,289	2,253,639	16,650
Total Charges to Appropriations	24,157,575	27,631,384	26,642,064	989,320
Budgetary Fund Balance, June 30	\$ 15,528,760	\$ 14,185,860	\$ 15,934,369	\$ 1,748,509

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, 2022, 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, 2022

Note 1: General Budget Policies (Continued)

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

a. Excess of Expenditures Over Appropriations

Excess expenditures over appropriations were as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
Public safety			
Code Enforcement	\$ 177,116	\$ 170,371	\$ 6,745
Debt Service			
Principal	29,767	-	29,767
Interest	1,614	-	1,614
Capital outlay	382,388	381,074	1,314

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

**Budgetary Comparison Schedule
Miscellaneous Grants Fund
Year Ended June 30, 2022**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	3,025,000	3,565,000	2,038,701	(1,526,299)
Use of money and property	-	-	(9,437)	(9,437)
Amounts Available for Appropriations	3,025,000	3,565,000	2,029,264	(1,535,736)
Charges to Appropriation (Outflows):				
General government	-	-	639,975	(639,975)
Parks and recreation	-	-	2,576	(2,576)
Public works	445,000	455,000	316,166	138,834
Capital outlay	-	1,479,000	369,166	1,109,834
Transfers out	-	-	490,136	(490,136)
Total Charges to Appropriations	445,000	1,934,000	1,818,019	115,981
Budgetary Fund Balance, June 30	\$ 2,580,000	\$ 1,631,000	\$ 211,245	\$ (1,419,755)

City of Imperial Beach

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	Special Revenue Funds			Supplemental Law Enforcement
	Gas Tax	Prop A Tax	CDBG Grant	
Assets:				
Pooled cash and investments	\$ -	\$ 171,426	\$ -	\$ 88,485
Due from other governments	50,254	30,472	-	-
Total Assets	\$ 50,254	\$ 201,898	\$ -	\$ 88,485
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 625	\$ 22,409	\$ -	\$ 38,496
Unearned revenues	-	-	-	-
Due to other funds	50,294	-	-	-
Total Liabilities	50,919	22,409	-	38,496
Fund Balances (Deficit):				
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	49,989
Parks, recreation and senior center	-	-	-	-
Public works	-	179,489	-	-
Unassigned	(665)	-	-	-
Total Fund Balances (Deficit)	(665)	179,489	-	49,989
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 50,254	\$ 201,898	\$ -	\$ 88,485

City of Imperial Beach

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

(Continued)

	Special Revenue Funds		Capital Projects Funds	
	RMRA	Housing Authority	Parks Maintenance CIP	Capital Projects
Assets:				
Pooled cash and investments	\$ 534,951	\$ 713,123	\$ 492,258	\$ 775,491
Due from other governments	92,248	-	-	-
Total Assets	\$ 627,199	\$ 713,123	\$ 492,258	\$ 775,491
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 37,935
Unearned revenues	-	-	150,000	-
Due to other funds	-	-	-	-
Total Liabilities	-	-	150,000	37,935
Fund Balances (Deficit):				
Restricted for:				
Community development projects	-	713,123	-	-
Public safety	-	-	-	-
Parks, recreation and senior center	-	-	342,258	-
Public works	627,199	-	-	737,556
Unassigned	-	-	-	-
Total Fund Balances (Deficit)	627,199	713,123	342,258	737,556
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 627,199	\$ 713,123	\$ 492,258	\$ 775,491

City of Imperial Beach

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	Total Governmental Funds
Assets:	
Pooled cash and investments	\$ 2,775,734
Due from other governments	<u>172,974</u>
Total Assets	<u>\$ 2,948,708</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:	
Liabilities:	
Accounts payable	\$ 99,465
Unearned revenues	150,000
Due to other funds	<u>50,294</u>
Total Liabilities	<u>299,759</u>
Fund Balances (Deficit):	
Restricted for:	
Community development projects	713,123
Public safety	49,989
Parks, recreation and senior center	342,258
Public works	1,544,244
Unassigned	<u>(665)</u>
Total Fund Balances (Deficit)	<u>2,648,949</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,948,708</u>

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City of Imperial Beach

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2022**

	Special Revenue Funds			
	Gas Tax	Prop A Tax	CDBG Grant	Supplemental Law Enforcement
Revenues:				
Intergovernmental	\$ 665,018	\$ 799,898	\$ 60,305	\$ 153,285
Charges for services	-	31,626	-	-
Use of money and property	(2,010)	(2,684)	-	-
Miscellaneous	-	-	-	-
Total Revenues	663,008	828,840	60,305	153,285
Expenditures:				
Current:				
Public safety	-	-	-	160,023
Community development	-	-	-	-
Public works	-	-	-	-
Debt Service				
Principal	-	296,928	-	-
Interest	-	8,358	-	-
Capital outlay	-	115,981	58,800	-
Total Expenditures	-	421,267	58,800	160,023
Excess (Deficiency) of Revenues Over (Under) Expenditures	663,008	407,573	1,505	(6,738)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(665,017)	(230,100)	-	-
Total Other Financing Sources (Uses)	(665,017)	(230,100)	-	-
Net Change in Fund Balances	(2,009)	177,473	1,505	(6,738)
Fund Balances (Deficit), Beginning of Year	1,344	2,016	(1,505)	56,727
Fund Balances (Deficit), End of Year	\$ (665)	\$ 179,489	\$ -	\$ 49,989

City of Imperial Beach

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2022**

(Continued)

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>RMRA</u>	<u>Housing Authority</u>	<u>Parks Maintenance CIP</u>	<u>Capital Projects</u>
Revenues:				
Intergovernmental	\$ 552,812	\$ -	\$ -	\$ -
Charges for services	-	-	37,325	-
Use of money and property	(8,793)	49,013	(8,769)	(16,468)
Miscellaneous	-	-	8,992	-
Total Revenues	544,019	49,013	37,548	(16,468)
Expenditures:				
Current:				
Public safety	-	-	-	-
Community development	-	166	-	-
Public works	129,578	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	20,192	158,585
Total Expenditures	129,578	166	20,192	158,585
Excess (Deficiency) of Revenues Over (Under) Expenditures	414,441	48,847	17,356	(175,053)
Other Financing Sources (Uses):				
Transfers in	-	-	200,000	945,518
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	200,000	945,518
Net Change in Fund Balances	414,441	48,847	217,356	770,465
Fund Balances (Deficit), Beginning of Year	212,758	664,276	124,902	(32,909)
Fund Balances (Deficit), End of Year	\$ 627,199	\$ 713,123	\$ 342,258	\$ 737,556

City of Imperial Beach

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2022

	Total Governmental Funds
Revenues:	
Intergovernmental	\$ 2,231,318
Charges for services	68,951
Use of money and property	10,289
Miscellaneous	8,992
	<hr/>
Total Revenues	2,319,550
	<hr/>
Expenditures:	
Current:	
Public safety	160,023
Community development	166
Public works	129,578
Debt Service	
Principal	296,928
Interest	8,358
Capital outlay	353,558
	<hr/>
Total Expenditures	948,611
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,370,939
	<hr/>
Other Financing Sources (Uses):	
Transfers in	1,145,518
Transfers out	(895,117)
	<hr/>
Total Other Financing Sources (Uses)	250,401
	<hr/>
Net Change in Fund Balances	1,621,340
Fund Balances (Deficit), Beginning of Year	1,027,609
	<hr/>
Fund Balances (Deficit), End of Year	\$ 2,648,949

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
Gas Tax
Year Ended June 30, 2022**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 1,344	\$ 1,344	\$ 1,344	\$ -
Resources (Inflows):				
Intergovernmental	696,050	696,050	665,018	(31,032)
Use of money and property	-	-	(2,010)	(2,010)
Amounts Available for Appropriations	697,394	697,394	664,352	(33,042)
Charges to Appropriation (Outflows):				
Transfers out	696,050	696,050	665,017	31,033
Total Charges to Appropriations	696,050	696,050	665,017	31,033
Budgetary Fund Balance (Deficit), June 30	\$ 1,344	\$ 1,344	\$ (665)	\$ (2,009)

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
Prop A Tax
Year Ended June 30, 2022**

	<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	\$ 2,016	\$ 2,016	\$ 2,016	\$ -
Resources (Inflows):				
Intergovernmental	454,000	454,000	799,898	345,898
Charges for services	26,000	26,000	31,626	5,626
Use of money and property	-	-	(2,684)	(2,684)
Amounts Available for Appropriations	482,016	482,016	830,856	348,840
Charges to Appropriation (Outflows):				
Debt Service				
Principal	-	-	296,928	(296,928)
Interest	-	-	8,358	(8,358)
Capital outlay	-	1,043,779	115,981	927,798
Transfers out	230,100	230,100	230,100	-
Total Charges to Appropriations	230,100	1,273,879	651,367	622,512
Budgetary Fund Balance, June 30	\$ 251,916	\$ (791,863)	\$ 179,489	\$ 971,352

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
CDBG Grant
Year Ended June 30, 2022**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance (Deficit), July 1	\$ (1,505)	\$ (1,505)	\$ (1,505)	\$ -
Resources (Inflows):				
Intergovernmental	-	299,123	60,305	(238,818)
Amounts Available for Appropriations	(1,505)	297,618	58,800	(238,818)
Charges to Appropriation (Outflows):				
Capital outlay	-	297,618	58,800	238,818
Total Charges to Appropriations	-	297,618	58,800	238,818
 Budgetary Fund Balance, June 30	 \$ (1,505)	 \$ -	 \$ -	 \$ -

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
Supplemental Law Enforcement
Year Ended June 30, 2022**

	<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	\$ 56,727	\$ 56,727	\$ 56,727	\$ -
Resources (Inflows):				
Intergovernmental	150,000	150,000	153,285	3,285
Amounts Available for Appropriations	206,727	206,727	210,012	3,285
Charges to Appropriation (Outflows):				
Public safety	150,000	150,000	160,023	(10,023)
Total Charges to Appropriations	150,000	150,000	160,023	(10,023)
Budgetary Fund Balance, June 30	\$ 56,727	\$ 56,727	\$ 49,989	\$ (6,738)

City of Imperial Beach

**Budgetary Comparison Schedule – Special Revenue Funds
RMRA
Year Ended June 30, 2022**

	<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	\$ 212,758	\$ 212,758	\$ 212,758	\$ -
Resources (Inflows):				
Intergovernmental	536,450	536,450	552,812	16,362
Use of money and property	-	-	(8,793)	(8,793)
Amounts Available for Appropriations	749,208	749,208	756,777	7,569
Charges to Appropriation (Outflows):				
Public works	-	536,450	129,578	406,872
Total Charges to Appropriations	-	536,450	129,578	406,872
Budgetary Fund Balance, June 30	\$ 749,208	\$ 212,758	\$ 627,199	\$ 414,441

City of Imperial Beach

**Budgetary Comparison Schedule – Capital Projects Funds
Parks Maintenance CIP
Year Ended June 30, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 124,902	\$ 124,902	\$ 124,902	\$ -
Resources (Inflows):				
Charges for services	40,000	40,000	37,325	(2,675)
Use of money and property	-	-	(8,769)	(8,769)
Miscellaneous	-	-	8,992	8,992
Transfers in	200,000	200,000	200,000	-
Amounts Available for Appropriations	364,902	364,902	362,450	(2,452)
Charges to Appropriation (Outflows):				
Capital outlay	-	89,083	20,192	68,891
Total Charges to Appropriations	-	89,083	20,192	68,891
Budgetary Fund Balance, June 30	\$ 364,902	\$ 275,819	\$ 342,258	\$ 66,439

City of Imperial Beach

**Budgetary Comparison Schedule – Capital Projects Funds
Capital Projects
Year Ended June 30, 2022**

	<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	\$ (32,909)	\$ (32,909)	\$ (32,909)	\$ -
Resources (Inflows):				
Use of money and property	-	-	(16,468)	(16,468)
Transfers in	-	945,518	945,518	-
Amounts Available for Appropriations	(32,909)	912,609	896,141	(16,468)
Charges to Appropriation (Outflows):				
Capital outlay	-	945,518	158,585	786,933
Total Charges to Appropriations	-	945,518	158,585	786,933
Budgetary Fund Balance (Deficit), June 30	\$ (32,909)	\$ (32,909)	\$ 737,556	\$ 770,465

City of Imperial Beach

Combining Statement of Net Position Internal Service Funds June 30, 2022

	Vehicle Replacement & Maintenance	Self- Insurance	Technology & Communication	Facilities Repair & Maintenance	Total
Assets:					
Current:					
Pooled Cash and investments	\$ 1,018,988	\$ 1,490,807	\$ 74,256	\$ 64,107	\$ 2,648,158
Prepaid costs	-	-	29,311	-	29,311
Due from other governments	29,606	-	-	-	29,606
Total Current Assets	1,048,594	1,490,807	103,567	64,107	2,707,075
Noncurrent:					
Capital assets, net of depreciation	445,727	-	-	1,707	447,434
Total Noncurrent Assets	445,727	-	-	1,707	447,434
Total Assets	1,494,321	1,490,807	103,567	65,814	3,154,509
Deferred Outflows of Resources:					
Deferred pension and related items	37,477	23,368	23,809	-	84,654
Deferred OPEB related items	9,068	5,654	5,761	-	20,483
Total Deferred Outflows of Resources	46,545	29,022	29,570	-	105,137
Liabilities:					
Current:					
Accounts payable	48,634	3,048	55,037	-	106,719
Accrued liabilities	5,966	3,408	7,142	-	16,516
Compensated absences due in one year	7,376	9,250	2,839	-	19,465
Claims and judgments due in one year	-	123,000	-	-	123,000
Total Current Liabilities	61,976	138,706	65,018	-	265,700
Noncurrent:					
Compensated absences due in more than one year	-	2,120	-	-	2,120
Claims and judgments due in more than one year	-	577,000	-	-	577,000
Net pension liability	19,360	12,072	12,299	-	43,731
Total OPEB liability	17,213	10,733	10,936	-	38,882
Total Noncurrent Liabilities	36,573	601,925	23,235	-	661,733
Total Liabilities	98,549	740,631	88,253	-	927,433
Deferred Inflows of Resources:					
Deferred pension related items	33,579	20,938	21,333	-	75,850
Deferred OPEB related items	3,843	2,396	2,441	-	8,680
Total Deferred Inflows of Resources	37,422	23,334	23,774	-	84,530
Net Position:					
Investment in capital assets	445,727	-	-	1,707	447,434
Unrestricted	959,168	755,864	21,110	64,107	1,800,249
Total Net Position (Deficit)	\$ 1,404,895	\$ 755,864	\$ 21,110	\$ 65,814	\$ 2,247,683

City of Imperial Beach

**Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2022**

	Vehicle Replacement & Maintenance	Self- Insurance	Technology & Communication	Facilities Repair & Maintenance	Total
Operating Revenues:					
Sales and service charges	\$ 494,150	\$ 737,850	\$ 597,600	\$ 10,200	\$ 1,839,800
Miscellaneous	135,135	51,378	-	-	186,513
Total Operating Revenues	629,285	789,228	597,600	10,200	2,026,313
Operating Expenses:					
Services and supplies	312,225	43,555	499,559	143,691	999,030
Claims expense	-	260,083	-	-	260,083
Personnel and administrative	138,651	80,579	113,448	-	332,678
Depreciation expense	171,866	-	-	1,752	173,618
Total Operating Expenses	622,742	384,217	613,007	145,443	1,765,409
Operating Income (Loss)	6,543	405,011	(15,407)	(135,243)	260,904
Nonoperating Revenues (Expenses):					
Investment loss	(18,103)	(29,383)	(1,503)	(2,402)	(51,391)
Total Nonoperating Revenues (Expenses)	(18,103)	(29,383)	(1,503)	(2,402)	(51,391)
Income (Loss) Before Transfers	(11,560)	375,628	(16,910)	(137,645)	209,513
Transfers in	505,382	151,522	388,156	92,771	1,137,831
Total Transfers	505,382	151,522	388,156	92,771	1,137,831
Changes in Net Position	493,822	527,150	371,246	(44,874)	1,347,344
Net Position (Deficit):					
Beginning of Year	911,073	228,714	(350,136)	110,688	900,339
End of Year	\$ 1,404,895	\$ 755,864	\$ 21,110	\$ 65,814	\$ 2,247,683

City of Imperial Beach

Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2022

	Vehicle Replacement & Maintenance	Self- Insurance	Technology & Communication	Facilities Repair & Maintenance	Total
Cash Flows from Operating Activities:					
Cash received from/(paid to) interfund service provided	\$ 629,341	\$ 789,228	\$ 597,600	\$ 10,200	\$ 2,026,369
Cash paid to suppliers for goods and services	(272,905)	(447,306)	(430,865)	(261,513)	(1,412,589)
Cash paid to employees for services	(171,548)	(110,639)	(131,974)	-	(414,161)
Net Cash Provided (Used) by Operating Activities	184,888	231,283	34,761	(251,313)	199,619
Cash Flows from Non-Capital Financing Activities:					
Transfers from other funds	505,382	151,522	388,156	92,771	1,137,831
Amounts received from other funds	-	-	(347,158)	-	(347,158)
Net Cash Provided by Non-Capital Financing Activities	505,382	151,522	40,998	92,771	790,673
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(64,067)	-	-	-	(64,067)
Net Cash Used by Capital and Related Financing Activities	(64,067)	-	-	-	(64,067)
Cash Flows from Investing Activities:					
Investment loss	(18,103)	(29,383)	(1,503)	(2,402)	(51,391)
Net Cash Provided (Used) by Investing Activities	(18,103)	(29,383)	(1,503)	(2,402)	(51,391)
Net Increase (Decrease) in Cash and Cash Equivalents	608,100	353,422	74,256	(160,944)	874,834
Cash and Cash Equivalents, Beginning of Year	410,888	1,137,385	-	225,051	1,773,324
Cash and Cash Equivalents, End of Year	\$ 1,018,988	\$ 1,490,807	\$ 74,256	\$ 64,107	\$ 2,648,158
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 6,543	\$ 405,011	\$ (15,407)	\$ (135,243)	\$ 260,904
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	171,866	-	-	1,752	173,618
(Increase) decrease in prepaid costs	-	-	23,898	-	23,898
(Increase) decrease in due from other governments	56	-	-	-	56
(Increase) decrease in deferred outflows - pension	12,271	7,652	7,796	-	27,719
(Increase) decrease in deferred outflows - OPEB	953	594	605	-	2,152
Increase (decrease) in accounts payable	39,320	(51,668)	44,796	(117,822)	(85,374)
Increase (decrease) in accrued liabilities	1,999	(778)	3,832	-	5,053
Increase (decrease) in compensated absences	3,559	(5,306)	2,073	-	326
Increase (decrease) in claims and judgments	-	(92,000)	-	-	(92,000)
Increase (decrease) in net pension liability	(61,432)	(38,304)	(39,028)	-	(138,764)
Increase (decrease) in total OPEB liability	(3,248)	(2,025)	(2,063)	-	(7,336)
Increase (decrease) in deferred inflows - pension	9,158	5,711	5,818	-	20,687
Increase (decrease) in deferred inflows - OPEB	3,843	2,396	2,441	-	8,680
Total Adjustments	178,345	(173,728)	50,168	(116,070)	(61,285)
Net Cash Provided (Used) by Operating Activities	\$ 184,888	\$ 231,283	\$ 34,761	\$ (251,313)	\$ 199,619

City of Imperial Beach

**Combining Statement of Fiduciary Net Position
All Custodial Funds
June 30, 2022**

	Special Assessment Districts		
	Assessment District #63	Assessment District #64	Assessment District #66
Assets:			
Pooled cash and investments	\$ 120,555	\$ 30,726	\$ 173,851
Total Assets	120,555	30,726	173,851
Net Position:			
Held in trust for other purposes	120,555	30,726	173,851
Total Net Position	\$ 120,555	\$ 30,726	\$ 173,851

City of Imperial Beach

**Combining Statement of Fiduciary Net Position
All Custodial Funds
June 30, 2022**

	<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	<u>\$ 103,289</u>	<u>\$ 16,617</u>	<u>\$ 445,038</u>
Total Assets	<u>103,289</u>	<u>16,617</u>	<u>445,038</u>
Net Position:			
Held in trust for other purposes	<u>103,289</u>	<u>16,617</u>	<u>445,038</u>
Total Net Position	<u>\$ 103,289</u>	<u>\$ 16,617</u>	<u>\$ 445,038</u>

City of Imperial Beach

**Combining Statement of Changes in Fiduciary Net Position
All Custodial Funds
Year Ended June 30, 2022**

	<u>Special Assessment Districts</u>		
	<u>Assessment District #63</u>	<u>Assessment District #64</u>	<u>Assessment District #66</u>
Additions:			
Miscellaneous	<u>\$ 1,338</u>	<u>\$ 341</u>	<u>\$ 1,930</u>
Total Additions	<u>1,338</u>	<u>341</u>	<u>1,930</u>
Changes in Net Position	<u>1,338</u>	<u>341</u>	<u>1,930</u>
Net Position at Beginning of Year	<u>119,217</u>	<u>30,385</u>	<u>171,921</u>
Net Position at End of Year	<u>\$ 120,555</u>	<u>\$ 30,726</u>	<u>\$ 173,851</u>

City of Imperial Beach

**Combining Statement of Changes in Fiduciary Net Position
All Custodial Funds
Year Ended June 30, 2022**

	<u>Special Assessment Districts</u>		<u>Custodial Funds Totals</u>
	<u>Assessment District #68</u>	<u>Assessment District #71</u>	
Additions:			
Miscellaneous	\$ 1,147	\$ 184	\$ 4,940
Total Additions	<u>1,147</u>	<u>184</u>	<u>4,940</u>
Changes in Net Position	<u>1,147</u>	<u>184</u>	<u>4,940</u>
Net Position at Beginning of Year	<u>102,142</u>	<u>16,433</u>	<u>440,098</u>
Net Position at End of Year	<u>\$ 103,289</u>	<u>\$ 16,617</u>	<u>\$ 445,038</u>

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